

FINANCIAIMIES

THURSDAY MARCH 4 1999

World Business Newspaper http://www.FT.com



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Avalanche forecastino The real problem is getting people to listen **Technology, Page 22**



Financial engineering How Olivetti could swallow Telecom Italia



Berezovsky and Primakov Title bout between oligarch and ex-KGB man

Wales Will more self-rule help economic regeneration? Separate section

WORLD NEWS

Finland looks to new deal with Moscow

Finland plans to use its European Union presidency to implement a new co-operation pact between the EU and Russia. The pact covers issues ranging from road links to economic partnership projects. Page 12

China's budget deficit grows Chinese prime minister Zhu Rongli is set to announce the biggest deficit for two decades. The 56 per cent rise in the deficit shows the strains caused by government spending to lift the economy. Asia-Pacific, Page 7

Killer rebels 'will be pursued' Ugandan president Yoweri Museveni vowed to kili or capture Rwandan rebels who murdered eight foreign tourists. International, Page 5

Israeli PM spums minister's call Israeli prime minister Benjamin Netanyahu rejected a call by foreign minister Ariel Sharon to form an emergency government that would pull israeli troops out of Lebanon. International, Page 5

Indonesian troops sent to island Indonesia's military has sent 3,000 troops to the troubled island of Ambon with orders to shoot rioters on sight. Calls for 'Jihad', Page 7

Japan's step towards birth pill A Japanese health ministry committee has accepted the lowdose contraceptive pill is safe. A ministry council is expected to recommend the pill for approval in June. Asia-Pacific, Page 7

Schröder tries to calm tax fears German chancellor Gerhard Schröder tried to pacify insurers about his government's tax plans, due for Bundestag approval today. Europe, Page 2

Ukraine votes to join CIS group Ukraine lawmakers voted to join the Commonwealth of Independent States' inter-parliamentary assembly a move many see as a step towards recreating the Soviet Union. Europe, Page 3

Date set for South Africa poll South Africa's second democratic election will be held on June 2. President Nelson Mandela said. International, Page 5

Famine 'may have killed over 1m' Malnutrition and related diseases may have killed up to 800,000 a year in famine-stricken North Korea over the last two or three years, a South Korean think tank

UK pins hopes on Clinton

The UK government hopes president Bill Clinton can revive the stalled Northern Ireland peace process when the region's political leaders visit Washington this month. UK, Page 8

1960s pop icon dies British pop star Dusty Springfield died of breast cancer aged 59. Dusty, whose hits included I Only Want To Be With You and You Don't Have To Say You Love Me. had been due to be inducted into New York's Rock and Roll Hall of Feme. Obituary, Page 9

Some copies of the Wales survey, published with today's edition, are incorrectly dated. We apologise for

STOCK MARKET INDICES

New York: kinchtime Dow Jones Ind Av9.308.75

4.75%

US LUNCHTIME RATES

Long Bond Yield OTHER RATES

BUSINESS NEWS

Telecom Italia savers may have to accept non-voting shares

Nearly a third of Telecorn Italia investors may be forced to accept non-voting shares in an Olivetti subsidiary if Olivetti's €53bn bid for the telecommunications glant succeeds, a Financial Times analysis of the Olivetti bid shows. Companies and markets, Page 13; Lex, Page 12; Chinese boxes, Page 14

GKN, UK engineering group, expects to unveil a merger of its helicopter interests with Agusta of Italy. Companies and markets, Page 13; Lex, Page 12

Kellogg launched a sweep of senior management positions, and new appointments, in an effort to get its ailing cereals business back on track. Companies and markets, Page 13

Civil aircraft deliveries will begin to fall next year and Boeing of the US will suffer more than Airbus Industrie, its European rival, credit rating agency Moody's Investors Services said. World trade news, Page 6

Canal Plus and British Sky Broadcasting, pay television companies, seemed close to breaking off merger talks after the French company imposed a stringent set of conditions for further negotiations. Companies and markets, Page 13

Peugeot-Citroën, French carmaker. acknowledged it was looking at mergers or acquisitions as it reported lower than expected 1998 profits. European compa-nies, Page 15

Tieto, Finnish provider of information technology services, is to take over its Swedish rival Enator in a €920m (\$1bn) deal. Companies and markets, Page 13

Hino Motors, Japanese truckmaker in which Toyota has a 20 per cent stake, is to cut nearly 10 per cent of its white-collar workforce. Asia-Pacific companies, Page 20

conglomerate, plans to issue a new class of shares with voting rights less than existing ordinary stock. Asia-Pacific companies, Page 20

Robert Fleming, UK-based investment banking and brokerage company, merged its Egyp-tian operation with the Cairobased CIIC in a move aimed at making Cairo its regional financial centre. International companies, Page 16

MCI WorldCom, US telecommunications group, and Canadian carrier Bell Canada, have formed an alliance to provide seamless North American services. US and Canadian companies, Page 18

Kmart, US discount stores group, reported fourth-quarter earnings of \$353m, up from \$186m, following a redesign of its stores. US companies, Page 18

Euro Prices

Tokyo close:

EURO (London)

WORLD MARKETS

(-44.47) (-106.35)

(-13) (-7.96) (+249.3)

A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 23

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EU to warn US and China over 'fixing' any WTO deal

By Guy de Jonquières in London and James Kynge in Beljing

The European Union will today warn the US and China that it will oppose any deal between them that offers Beijing membership of the World Trade Organisation in exchange for special favours to the US.

The warning reflects concern in Brussels that US and Chinese efforts to achieve a breakthrough on WTO accession in the next few weeks could produce a bilateral agreement that discriminated against the EU and other

WTO members. Sir Leon Brittan, EU trade commissioner, will set out Brussels' position in a statement timed to coincide with talks between Charlene Barshefsky, US trade

sels' determination to continue working closely with Washington on the issue.

hormone-treated beef.

cials in Beijing.

must be agreed by all WTO members, not just the US.

The talks are the climax of a week of intense US diplomatic "No bilateral agreement activity aimed at finding the between China and a third counbasis for a deal on China's WTO entry that could form the centrepiece of the planned US visit by for a final accession deal," he will Zhu Rongji, the Chinese premier,

He will also say that US assent The EU's misgivings have surfor China's admission must not be procured through preferential faced at a moment when its trade relations with the US are troutrade concessions. bled by disputes, about issues The central purpose of the WTO accession talks is to remove including banana imports and

trade discrimination, not to intro-Sir Leon will welcome US duce new preferential distorattempts to speed China's WTO admission and emphasise Brus-

Brussels broadly agree on the terms for China's membership, the EU fears the US is so eager But he will insist that the for a deal that it might soften its

representative, and senior offi- terms of China's membership position in return for offers of privileged access to China's mar ket, notably for financial and other services.

Sir Leon is expected to voice try can be imposed on other his concerns directly to Ms Bar-members of the WTO as a basis shefsky soon, and on a hastily shefsky soon, and on a hastily arranged visit to Beijing late next month, after Mr Zhu returns from the US. The prospects for Ms Barshefsky's talks in Beijing were thrown into some uncertainty yesterday, when she contradicted an official statement that she had a new proposal for

Trade diplomats said the appar ent discrepancy might reflect dif-Although Washington and fering US negotiating strategies

and priorities.

China on WTO membership.

Unconstructive, less engaged, Page 11

COMMITTEE PROBING ALLEGED BRUSSELS MISMANAGEMENT TO REPORT ON MARCH 15

Santer warns that commissioners may have to step down

By Neil Buckley in Brussels

Any European commissioner found guilty of wrongdoing by the current inquiry into fraud and mismanagement should resign, Jacques Santer, the European Commission president, warned yesterday.

His remarks are a departure from the principle of "collegiate responsibility" at the European Union's executive which he has until now implied would protect individual commissioners from being dismissed.

The change in stance leaves Edith Cresson, education combeen heavily targeted by the executive's image. European Parliament - leading the fight against alleged fraud in the Commission - over an EU dentist acquaintance.

She has also been pressed to take responsibility for mismanagement by external contractors of an €620m EU youth training lute action to dispel the clouds" programme. Mrs Cresson vigor- over the executive. ously denies any wrongdoing.

A five-member "committee of experts" investigating all allegations against the Commission will report on March 15. The committee was set up under a compromise between Mr Santer and the parliament in January to avert a censure motion that would have sacked all 20 commis-

"If this committee arrived at conclusions where the position of certain members of the Commission were called into question, I think [commissioners] should behave as politicians," he said.

His comments came as some MEPs said a code of conduct missioner and former French agreed by the Commission yesterprime minister, looking increas- day did not fully deliver on Mr

the code, putting off formal adoption until next week.

She called for "firm and reso-

James Elles, British Conserva-



ingly isolated. Mrs Cresson has Santer's promises to clean up the Jacques Santer at a press conference yesterday

January to December 1998

Pauline Green, leader of parlia- tive MEP responsible for a critiment's biggest group, the Social- cal report on the Commission's ists, expressed disappointment handling of the EU's 1996 research contract awarded to a that commissioners had only finances, said it had "chickened reached "political agreement" on out" of the most important reforms.

The code requires commissioners to declare their spouses' jobs and families' financial interests. on top of their own. They are also banned from holding public office

outside the Commission, or accepting gifts worth more than

But the code does not lay down new rules on the composition of commissioners' "cabinets" of advisers - their personal power bases in the Brussels executive.

Observer, Page 11 Editorial Comment, Page 11

Japan takes radical step to head off economic downturn

By Gillian Tett In Tokyo

The Bank of Japan pushed effective short-term interest rates down to zero yesterday in an unprecedented new attempt to stave off an economic downturn and deflationary spiral in Japan.

The overnight call rate - or the market short-term rate – dropped to 0.02 per cent during trading. after the bank flooded the money markets with Y1,800bn (\$15bn) of surplus liquidity.

The 0.02 per cent rate means money is being provided for free. as brokerage commission in the call money market is currently 0.02 per cent. The bank said the average rate for the day's trading was 0.04 per cent, down from 0.07 per cent on Tuesday.

This is probably the first time a major central bank has pushed nominal overnight rates to zero in a move to reflate its economy. Switzerland briefly introduced what were in effect negative interest rates in the 1970s, but the purpose was to deter inflows of flight capital.

The measures boosted long-term bond prices as investors removed money from the call market and sought out yields. However, the yen also fell to Y121 against the dollar, as some economists concluded the bank was now poised to use even more radical methods.

Kazuo Ueda, a member of the bank's policy board, denied it was now seeking negative interest rates. However, he said the bank would introduce "further credit-easing steps" if they were needed to reflate the economy.

The bank has so far rejected suggestions that it should directly underwrite or purchase more Japanese government bonds to create inflation. It has also opposed suggestions that it should pump enough liquidity into the markets to achieve a specific target for monetary growth. in a policy known as "quantitative easing". Instead, it has sought to guide overnight rates into a band.

However, Mr Ueda said the bank was now seeking a "middle way" between targeting interest rates and quantitative easing.

Personal view, Page 10 Editorial Comment, Page 11

This announcement

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Goldman set to float within three months

By Tracy Corrigan in New York

Goldman Sachs, Wall Street's largest remaining partnership, plans to take the firm public in ties and Exchange Commission the next three months - its sec within days. Executives are ond attempt at an initial public offering in a year.

The firm's five-strong manageplan - to float 10-15 per cent of ger market conditions. the firm - to its 221 partners next Monday.

Market turmoil surrounding near-collapse of hedge fund in May or early June.

Long-Term Capital Management Jon Corzine, Goldman's co-Long-Term Capital Management forced Goldman to postpone its planned IPO last September.

The firm is expected to report strong first-quarter earnings later this month, following a poor valuations of investment banks are still lower than they were at the market's peak last year. The firm is likely to be valued

at \$20bn-\$23bn, substantially less ted last year. This would mean to be worth \$2bn-\$3.5bn.

"Ideally, I would want more financial services analyst at are likely in the short term. Brown Brothers Harriman. "But

vote by Goldman partners is viewed as a formality and will be followed by a filing to the Securibelieved to be keen to move forward rapidly with the IPO to end a period of uncertainty at the ment committee will present the firm and take advantage of stron-

Goldman is due to report its first-quarter earnings on March 15. It expects to hold roadshows Russia's debt default and the in late April and launch the IPO

chairman, who stood down as cochief executive officer in January, is expected to leave the firm shortly after the IPO. Mr Corzine is believed to have lost a power fourth quarter. But stock market struggle with Hank Paulson. cochairman and now sole chief executive officer, and co-chief operating officers. John Thornton and John Thain.

People close to the firm said than the \$30bn valuation expec- the priorities for the next 12 months were the successful con-10-15 per cent of the firm is likely clusion of the IPO and top-quality execution of its business.

Although one reason for the than one quarter to demonstrate IPO is to give the firm a chance a recovery," said Raphael Soifer, to make acquisitions, no deals

Latin America 6, International 5, Asia Pacific 7, Trade 4, UK 10

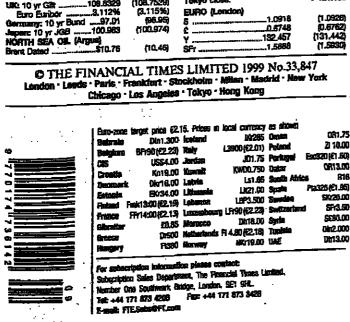
In 1998 Electra Fleming was involved in 35 European deals with total financings of £3.2 billion, 29 of these were led or co-led by Electra Flemina. ELECTRA FLEMING Electra Fleming Electra Floming & Associes Electra Floming 65 Kingsway London WC2B 6QT 31 rue de Lisbonne 20354 Hamburg Tel ±44 171 831 6464 Fax ±44 171 494 5388 Tel +49 40 355 30 80 Tel +33 1 5383 7910 Fax +49 40 358 95 81 Italy S&S Electra AB Asesores Electra Via Pietro Verri 8

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balanced against that is the fact Lex, Page 12; End to testing time that the market may not be all sought, Page 18 CONTENTS World News: North America 8 Companies & Finance: Europe, The Americas. Asia Pacific , international , European News: UK. Management/Technology: Capital Markets Comment & Analysis: **World Stock Markets:**

By Ralph Atkins in Bonn

Gerhard Schröder, German chancellor, sought yesterday to calm the fierce reaction from the country's insurance industry to his centre-left government's tax reform plans, but offered no immediate concessions.

At a meeting with insurers, including Henning Schulte-Noelle, chairman of Allianz, Europe's biggest insurer. Mr Schröder refused to agree to changes in tax legislation due to be approved today by the Bund-

ECB set

to decide

whether

By Tony Barber in Frankfurt

The European Central Bank

must decide today whether

weak economic activity and

low inflation in the euro-

zone justify a cut in interest

rates or whether high wage

settlements and the euro's

fall mean rates should stay

Ahead of today's meeting

finance minister, has repeat-

edly demanded a rate cut to

boost economic growth and

reduce unemployment. He

has warned the ECB that, if

it fails to take action, defla-

tion will grip the euro-zone

just for one country," he

Economists say the ECB's

fact that the euro-zone's 11

national economies are not

moving in the same direc-

to cut

rates

at 3 per cent.

cut rates.

per cent.

estag, or lower house of par-liament. Instead he promised an investigation into the actual additional burden faced by the insurance sector at the end of the year and only then to consider possible changes

Afterwards, the German insurance association said it took comfort from the chancellor's assurances that the sector should not have to pay more than an extra DM8.75bn (€4.47bn, \$4.91bn) in coming years - the finance ministry's estimate of the additional burden

den. The insurance industry had put its likely extra tax bill at about DM14bn. Insurers will be hit by new

aside for insurance claims and the discounting of those reserves. Allianz has threatened to move activities overseas as a consequence. Mr Schröder's meeting was part of efforts to head off the sharp criticism from across business of the tax

faced by insurers. But even These would bring Germany nuclear power. In future, that was an "immense" bur- into line with other countries by broadening the tax base, but include only modest cuts in the main tax rates affecting businesses. rules affecting reserves set The energy sector is also aside for insurance claims particularly affected.

Yesterday's meeting came as the Bonn cabinet agreed a series of plans to improve the government's image after an exceptionally bumpy first few months in office, including embarrassing policy reversals on plans reforms drawn up by Oskar to overhaul nationality laws

government departments would outline their plans to the weekly cabinet and agree communication strategies with the federal press deparment. Leaders of the Social Democratic and Green parliamentary parties would have a "standing invitation" to attend cabinet meetings.

Meanwhile, Mr Lafontaine sion contributions will fall sought yesterday to use a 0.8 percentage points to 19.5 Bundestag debate approving a separate "ecological" tax bill to emphasise the new government's willingness to Lafontaine, finance minister. and to withdraw from embrace structural reform.

described the measures as a "historic step of modernisation". Funds raised from higher energy costs would social security contributions German labour costs would be lowered and the environment protected, Mr Lafontaine said. This year, pension contributions will fall per cent.

He said a "majority" of European Union states agreed ecological tax reform was a "modernising project"

more co-operative. Western

companies have complained

imported equipment, been

uncooperative in waiving

The UK foreign secretary

said in Moscow he would

raise the case of Alexander

Nikitin, a former navy cap-

accident liability and, in certain cases, blocked access to

sensitive sites.

NEWS DIGEST

NORWEGIAN ECONOMY

Bank makes unexpected interest rate cut

Norway yesterday cut its principal interest rates by 0.50 of a percentage point, the second rate cut this year after seven consecutive rate rises by the previous central bank

From yesterday, the interest rates on deposit and overnight loans were cut to 7 per cent and 9 per cent respec-

Svein Gjedrem, who took over as governor of the country's central bank in January, cited developments in money and foreign exchange markets and the prospect of reduced pressures in the economy as reasons for the unexpected cut. Economists had expected the bank to wait until Norway's current wage round, due to end in May, had made more progress before cutting rates.

The cut had relatively little effect on the krone, which remained unchanged at 8.65 against the euro, while three month money market rates adjusted 25 basis points lower to 7 per cent. The decision to cut rates the first week into wage talks was seen as a response to signs from unions that wage inflation will not be more than 4.5 per cent this year, falling below the 6 per cent expected by the bank.

Valeria Sköld, Oslo

FARM POLICY

French and Germans in talks

French and German agriculture ministers will seek to bridge the gap in their positions on reform of European Union farm policy at an informal lunch in Cologne today.

The talks are designed to pave the way for a resumption in Brussels this evening of stalled negotiations among the 15 EU agriculture ministers on restructuring the Common Agricultural Policy. These negotiations should have resumed on Tuesday but Jean Glavany, the French agriculture minister, requested a delay to allow the French time to find common ground with Karl-Heinz Funke, his German colleague, who is chairing the sessions.

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AND ARRESTS.

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Yesterday there was no indication France had dropped any of its strong objections to the reform proposals put forward last week by the European Commission and backed by Germany during a four day meeting. However Mr Glavany said earlier this week France was preparing a memorandum that would offer fresh ideas. These are expected to focus on enhancing incomes for small farmers while endorsing cuts in subsidies for large-scale capital intensive farming. Robert Graham, Paris

STATE AID

Brussels warns Germany

The European Commission yesterday threatened to rule against the German government in a highly sensitive state aid inquiry involving the country's third most powerful

Karel Van Miert, the competition commissioner, said Germany had 10 days to provide specific documents related to a DM5.9bn (€3bn, \$3.3bn) capital transfer in 1992 to Westdeutsche Landesbank, after which the Commission would rule the transaction unlawful. According to Brussels, the German government refused

to supply the information requested by the investigative team, saving it was not relevant. The Commission considers that the missing information is indeed necessary for an accurate assessment of the transaction under state aid egislation," the Commission said yesterday. The investigation involves claims that WestLB received unlawful state handouts of up to DM5.9bn through the integration of housing development funds. Emma Tucker, Brussels

GIBRALTAR

Spanish criticism of blockade

For the first time in Spain's lengthy campaign to recover sovereignty over Gibraltar, Spanish authorities from towns adjacent to the British colony have publicly protested against an economic blockade imposed on it by the Mad-

José Antonio Fernández Pons, mayor of La Linea, the Spanish town that borders Gibraltar, yesterday led a demonstration calling for an end to strict border restrictions that have for the past month effectively sealed the colonv's link with mainland Spain. Mr Fernández Pons, who was backed by mayors of neighbouring Spanish towns and local union leaders, said the frontier controls penalised La Linea as much as the colony because Gibraltar was the

Some 4,000 people who enter Gibraltar from La Linea daily to work and a further 4,000 townspeople who receive pensions from the colony are directly affected by the restrictions. Madrid has promised significant investment in La Linea area to loosen its dependence on Gibraltar but it intends to maintain its border policy. Tom Burns, Madrid

KOSOVO CONFLICT

Serb forces in fresh clashes

Kosovo Albanians hunted for food and shelter yesterday after fleeing villages near the Macedonian border, where they reported fresh clashes between Serb forces and ethnic Albanian guerrillas.

Nearby, the Yugoslav army staged a huge exercise using heavy artillery and tanks.

The United Nations says fighting has driven 1,200 ethnic Albanian refugees into Macedonia since February 26. A further 4,000 ethnic Albanians have been displaced from their homes in the area and most are sheltering with friends and family.

As Milan Komnenic, Yugoslav information secretary, warned against "over-dramatising" the situation in Kosovo, troops put on a display of force as they exercised in southern Kosovo with heavy artillery, tanks and more than 100 soldiers. Reuters, Kosovo

WAR CRIMES

Former camp chief on trial

Croatia today starts the trial for crimes against humanity of Dinko Sakic, a former commander of the second world war Jasenovac concentration camp run by Croatia's Nazibacked Ustashe government.

Mr Sakic is charged for his role in the death of more than 2,000 prisoners during his six-month term as commander of the camp in 1944. He was extradited from Argentina last June after giving a television interview in which he denied killing prisoners. The Ustashe executed thousands of Serbs, jews and gypsies at Jasenovac, known as "the Auschwitz of the Balkans".

Mr Sakic was taken to a Zagreb hospital earlier this week after he fainted. The trial is set to start on schedule, and the president of the judicial council will then decide if it should be postponed because of Mr Sakic's health. Jared Manasek, Zagreb

UK offers Russia nuclear waste aid

By David Buchen in Murmansk

Robin Cook, the UK foreign secretary, yesterday visited the headquarters of Russia's collapsing Northern Fleet of nuclear submarines, once the world's largest, and said Britain would contribute £3m (\$4.8m) towards containing radioactive waste from decommissioned subma-

Most of the UK money will go to providing casks for waste to be taken out of the Lepse ship. Built in 1936, this vessel sits in Murmansk harbour where it has been used for the past 20 years to store fuel rods that were damaged when hammered into stor-

age tanks. The UK money will help cut the rods out of mament pressure. Russia interim fuel storage system the Lepse and provide safe has been laying up its casks to house them before eventual reprocessing or dis-

attempt by Britain to shift the spotlight of western con- mentalists say that by next cern, up to now focused on the issue of the safety of Soviet-era nuclear reactors in the wake of the 1986 Chernobyl accident in the Ukraine, to the hazards created by spent nuclear fuel from nearly 100 decommissioned Russian submarines and ice-breakers, in the Murmansk region and the Kola Peninsula stretching towards Norway

Boris Berezovsky's business interests

■ Logovaz, a car distribution business

maker. Last month the chief prosecutor

opened a criminal case against Avtovaz.

Sibneft, one of Pussie's biggest oil

connected with Aviovaz. Russia's largest car

companies. Hooded paramilitaries raided the

company's headquarters last month searching for information about Atoli, a security

Hegal surveillance of President Boris Yeltsin's

squeezed out of the company last month and

ORT, the main television channel in which Logovaz has a shareholding. Last December

the company was threatened with bankruptcy

stigations were launched into Aerofiot's

company, alleged to have been conducting

family.

• Aeroflot, Russia's International airline.

Directors affled to Mr Berezovsky were

Under financial and disar- has done in designing an press the Russians to be nuclear submarines faster than it can safely store, let alone reprocess, their nuclear fuel and decontaminate their reactors. Environyear they expect the fleet to have accumulated 320 discarded nuclear reactor cores about 20% of the world's

total - as well as 75,000 spent fuel rods. "We hope that with this new money we can at least help the storage problem. said Mr Cook.

His announcement will

and the European Union. that the Russians have BNFL has also joined Nor- charged them duty on way in trying to help the Russian navy tackle radioactive leaks at the Andreyev Bay base on the Kola peninsula Norway and the RII have provided £60m (\$96m). Russia has taken 130 nuclear submarines out of service, 88 of them belonging

funded by Norway, Sweden

to the Northern Fleet, which like other parts of the Russian armed services is chronicly short of money.

Murmansk was designed to boost the work that British signal western determina-

tain, who still faces possible prosecution on charges of

Mr Cook said his visit to

treason for passing on Nuclear Fuels Ltd (BNFL) tion to help, and also to

details of radioactive contamination in Murmansk to Bellona, a Norwegian environmental group for which

wards the president returned

Moscow's rumour mill has it

that Mr Yeltsin was furious

and Mr Primakov's increas

ingly overt campaign to win

How this latest political

difficult to predict. Political

Yesterday's enemies can

often be transformed into

tomorrow's friends. In 1993

Alexander Rutskoi, Mr Yelt-

was accused of treason for

instigating an armed upris-

ing. But he was quickly

released from prison and

was subsequently elected

remarks, it is often difficult

to distinguish between crimi-

nals and victims in contem-

According to the European

Salt Producers Association

the Portuguese have one of

highest intakes of salt in

Europe, at 10.7 grams per

day. But Portugal only pro-

duces 935,000 tonnes of crys-

import salt for domestic and

As one government official

governor of Kursk.

the presidency.

Wim Duisenberg, the ECB's president, and others on the 17-member governing coun-cil have abandoned the often Berezovsky enigmatic language of central bankers in favour of clear public statements to firestorm the effect that they will not But financial markets recall that Europe's central explodes bankers wrong-footed them in early December when, in the last change of monetary like soggy policy before the euro's launch, the ECB coordinated a rate cut across the euro-zone from 3.3 to 3 Oskar Lafontaine, Germany's Social Democrat

But some of his attacks seem to be finding their mark. John Thornhill and

Andrew Jack write Boris Berezovsky, the business tycoon and secretary of the Com-But Christian Noyer, the ECB's French vice-president, slapped down that view when talking to reporters on monwealth of Independent Monday in Singapore. "Ger-States, aired a series of many is not on the edge of seemingly startling allegations at a press conference deflation, and anyway we do not design monetary policy

in Moscow this week. Mr Berezovsky alleged that officers from the PSB. the domestic heir to the task is complicated by the KGB, had first tried to extort money from him and then plotted to kill him.

> He then claimed that two of Mr Yeltsin's closest former aides had been responsible for the murder of Vladislav Listyev, the popular television presenter and businessman, who was gunned down in 1995. And Mr Berezovsky echoed accusations - first published in the Nezavisimaya newspaper which he controls – of ministerial corruption in the government headed by Yevgeny Primakov. In most countries, such accusations would have sparked a political firestorm.

In Russia they exploded like soggy squib. Indeed, the next day Russian newspapers unleashed their own deluge of kompromat (compromising materials) against Mr Berezovsky. Moskovsky Komsomolets, which has been the cheerleader of the anti-Berezovsky opposition, even published transcripts of what pur- nerable to prosecution. ported to be telephone conversations between Mr Bere- public skirmishes as part of

prompting the president to provide new credits and install fresh management.

Dyachenko, reflecting badly

Last month, masked para-

military officers raided the

headquarters of the Sibneft

oil company, which was

once linked to Mr Berezov-

sky. A criminal case has

been opened against Avto-

maker, where Mr Berezov-

The government has also

been trying to sideline Mr

Berezovsky at ORT, the

main television channel,

which was once dependent

on his financial support and

has at times served as his

The lower house of parlia-

ment, the Duma, has also

joined the fray, unanimously

endorsing a motion calling

on the 12 leaders of the CIS

countries to sack Mr Bere-

zovsky as secretary of the

international organisation.

Such a move would strip Mr

Berezovsky of his diplomatic

immunity and leave him vul-

sky used to work.

public mouthplece.

ofishore subsidiaries.

daughter,

on both of them.

Mr Berezovsky does not deny his links with these companies but says he transferred his entered government service and has no

involvement in the day-to-day running of these

The chief prosecutor's antagonistic to each other;

zovsky and Mr Yeltsin's a ferocious power struggle Tatyana between Mr Primakov and Mr Berezovsky. The two men have long been personally

office has also been busy as foreign minister, Mr Priinvestigating Mr Berezov-sky's business interests. makov constantly railed against Mr Berezovsky's interference in CIS affairs. The prime minister's supporters argue that he is battling to restore the formal authority of the state and eradicate the informal influence of the "oligarchs", who vaz, Russia's largest car so insinuated their way into previous Russian governments. They say his war

against corruption should help stem massive flows of flight capital - which have so undermined the economy - and restore the confidence of foreign creditors. "I think that Berezovsky has been the victim of his own success," says an official close to Mr Primakov. "He is accustomed to win-

ning his battles with the government and even changing prime ministers. But this time he is confronting a really heavyweight sparring partner. My advice to Berezovsky is to stop because you will lose anyway."

Mr Berezovsky certainly assaults against him, "I have

been under close scrutiny of heated words; soon after the law enforcement bodies for a long time," he said at to hospital with an aggrahis press conference. "But vated stomach ulcer while can you produce a single the prime minister abruptly fact, a single law suit flew off on a 10-day holiday against me? Can you cite a

- P--

single indictment?" Mr Berezovsky, who is at the allegations of ministe-Jewish, says the attack on rial corruption aired in the him reflects the resurgent Nezavisimaya newspaper power of Russia's Communist party, which is linked to anti-Semitic extremists and reactionary elements in the security services. He warns drama will play itself out is that the apparatus of Russia's totalitarian past is feuds in Russia can dissipate being revived, jeopardising as fast as they precipitate. the rights of every citizen.

r Primakov's support-ers may believe the campaign against Mr

sin's former vice president,

Berezovsky is politically popular and will scare some of the other "oligarchs" into submission. But the attack on Mr Berezovsky carries its own risks: he is so closely associated with Mr Yeltsin's family the campaign could easily be seen as an assault

on the presidency itself.

Furthermore, some of Mr porary Russia. "I dream of Berezovsky's own blows the day when people are appear to be finding their

prosecuted in this country mark, Last week, Mr Yeltsin for law-and-order reasons Many observers view these appears rattled by the public and Mr Primakov were rather than political motivareported to have exchanged tions," he says,

Pricing differentials persist in euro-zone than an equivalent amount sold in retail outlets in Italy.

By product (%)

By Richard Adam Economics Staff

Consumers in the euro-zone may shop around for cheaper cars and stereos in other member countries but the biggest price differences in Europe may be on the table in front of them.

Staple consumer goods such as food and household medicines - rather than expensive items such as steare more likely to vary widely in price between euro-zone countries, according to a new report* by consultants KPMG.

Cars, perhaps the most cited case of price differentials in Europe, were so much "better behaved" than retail items – with only a 10-20 per cent price variation between markets - that were many opportunities for KPMG did not include them, suppliers and purchasers to

Across the board, price variations dwarfed any that could be explained by different sales taxes and duties between the 12 countries surveyed, which included the UK despite being outside the euro-zone.

"KPMG found that even large and commercially sophisticated companies are struggling with the new dimension of genuine European price management, the need to cross-reference national pricing characteristics and develop an integrated pricing strategy," the policy paper said.
Michael Littlechild, KPMG's senior partner in

charge of Emu services in

the UK, said he was sur-

prised by the huge differ-

ences between EU countries,

which showed that there

exploit price transparency. whether the transparency brought by the euro will in fact level out price differentials is highly complex. KPMG warned that in

markets such as bousehold

medicines, companies' future

profits and ability to set prices could be undermined by the ease of price comparison afforded by the euro. Wide degrees of price differentiation and ease of entry for new competitors make these markets especially vulnerable. The survey compared the

price tags of 31 standard consumer goods on sale in each of the 12 countries. KPMG said it selected goods indentical in size or capacity, and side capital cities, without using panEuropean retail

However, the question of alone appear to be no guarantee that the age of the euro will trigger change

Portugal, the price of salt

Wide price differentials The survey found the widest variation came in the price of humble table sait. In

other uses. Meanwhile, the Dutch eat only 8.2-8.8 grams each a day, but produce 5.3m for a low-cost, bulk prod uct such as salt, transport costs will form a large pro portion of the final price. That could explain why

Dutch shoppers pay only a third of the retail price in Portugal. *KPMG Emu Unit: Pricing

Policy White Paper. KPMG Marketing Department, 8 Portugal, the price of salt Salisbury Square, London, was 12 times more expensive EC4Y 8BB, UK.



tion. Germany, which accounts for more than onethird of euro-zone output, suffered a 0.4 per cent contraction in gross domestic product in the fourth quarter of 1998, but France and Spain recorded 0.7 per cent growth and the Netherlands 1.2 per cent. "The real economy euroland is being pulled in different directions," said a report by the investment bank Goldman Sachs, "This makes an adequate response by a common monetary policy difficult." The ECB may also feel that the euro's 7 per cent fall against the dollar since January weakens the case for a rate cut, since it helps European exporters by making

justify a rate cut. FINANCIAL TIMES
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regards recent German wage

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Ukraine votes for closer links to CIS By Charles Clover in Kiev Although joining the assemtor of Ukrainian politics passed, with 230 of 450 deputitself from Russia and look direction in the nationalist

Amid shouted insults and appeals to motherhood and although the MPA has limthe Orthodox faith, Ukraine's parliament yesterday voted to join the interparliamentary assembly doing so means greater (MPA) of the Commonwealth co-operation with Russia and of Independent States (CIS) marks a shift in the counin a move many say could be try's orientation from west

of the Soviet Union. mendations on legislation nationalist Rukh party, who that aims to harmonise laws opposed joining the MPA, were trying to swarm the in the CIS, a loose alliance of told deputies: "We are in the

how to breach

Dutch-speaking north- June

ern half, was yesterday

locked in heated debate

about a constitutional

reform paper that would

from federal to regional

level. But French-speakers in

the south warn this could

mark the beginning of the

The 50-page paper has

caused uproar in Wallonia.

Belgium's southern region.

French-language newspapers

called it the "final stage

Reactions on the Flemish

side have been low-key. Edi-

tors at De Standaard, the

Dutch-language daily, say

they thought hard whether

they should even put the

The reactions say much

about the widely divergent

opinions in north and south

on the future of the 169-year-

The paper, the fruit of

Flemish parliament's state

reform committee, is a "wish

Today, the doors open at Singapore

Boo, the region's largest exhibition centre

It offers 60,000 som of ground level

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at the Centre. For the details of entitlers

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Space in a World Class Place

manager in the region.

services, and over 2000 parking lots.

old Belgian state.

story on their front page.

before divorce".

.::1:

end of the Belgian state.

of Flanders. Belgium's after general elections in

transfer a number of powers aim is to keep everybody

membership of the CIS and ited powers, the debate on whether to join has proved emotional for the country, as a step towards reformation to east.

Before yesterday vote, The MPA issues recom- Vyacheslav Chornovil, of the

Four reform rounds since

1970 have already trans-

formed Belgium from a uni-

tary into a federal state. The

happy in a country with

three main languages -

French, Dutch and German,

located within Dutch-speak-

ing Flanders but is 85 per

The result is a federation

of three "regions": Flanders,

Wallonia and Brussels-Capi-

tal, overlaid with three lan-

guage "communities", Flem-

ish, (Dutch speaking),

French and German. Each

has a parliament and gov-

The communities control

cent francophone.

ernment.

bly does not give Ukraine from a European to a Eurasian orientation."

Hennady Udovenko, the former foreign minister, said the MPA was "the first step towards recreation of the Soviet Union in some form". During the parliamentary

session, Oleksandr Tkachenko, the parliamentary speaker who favours joining the MPA, spent much of his time using his microphone podium and prevent a vote.

ties in favour.

When a motion to join the MPA was last put to a parliamentary vote, in January, it The next step may be for

Ukraine to join a customs union with Russia and other former Soviet states, analysts say. Ukraine, which spent 350

westward.

But its weak post-1991 economy has caused some of sparked a brawl between in independence and seek of a treaty which recognised nationalists and communists solace in the Slavic-Ortho- Ukraine's sovereignty within and only garnered 176 votes. dox culture many share with its present borders. Russia.

years under the wing of Ukraine. Mr Chornovil was had "promised that Ukraine Moscow, has spent much of last week sacked as chair- would join the MPA in its seven years of indepen- man of the Rukh party amid exchange for Russian ratifi-

movement.

Ukraine's vote on joining the MPA was linked to Rusthe population to lose faith sia's ratification last month

Russia. Meanwhile, Vladimir Avirchev, a Ukraine's elite has been frus-member of the Russian

trated by the hesitation of Duma's committee of inter-European institutions, national affairs, said last mainly the European Union, week that in a December trip to deepen links with to Moscow, Mr Tkachenko 11 former Soviet states. process of changing the vec- The motion eventually dence trying to distance what many see as a crisis of cation of the treaty".

1.0 2.0 3.0

Flemish want to go much

Some commentators sug-

gest the differing reactions

to the reform plan reflect the

weaker emotional attach-

ment Dutch-speakers feel to

what was for 130 years a

which they had to battle for

recognition of their right to

Dirk Achten, editor-in-

chief of De Standaard and

author of a forthcoming

book on Belgium's future,

says the Flemish have

already made the psychologi-

cal leap to the idea of a con-

federation, or even break up

of the Belgian state.

use their own language.

further with devolution.

1.0

ument also explicitly recog- maintain the status quo, the

Danes to Paris plan open up power market

By Clare MacCarthy in Copenhagen

Denmark moved into the fast lane of European electricity liberalisation yesterday with a multi-party deal that will open its power market to full cross-border trade. deregulate prices and give consumers freedom of choice in selecting an electricity supplier.

The new deal, supported by virtually all parliamentary parties, exceeds the requirements of the European Union's electricity directive, which came into force last month.

The directive allows industrial and commercial customers using more than 40GWh a year the freedom to move to their supplier of choice. Denmark now plans to extend this liberty to all consumers.

Under existing Danish legislation, only companies with an annual power consumption in excess of 100GWh at a single site are permitted free choice of electricity supplier. Under the new deal, this right will be extended to customers using more than 10GWh a year until April 2000, and to those consuming more than one GWh by the end of that year. Complete liberalisation is envisaged before the end of

2002. Yesterday's agreement also included measures boosting Denmark's policy of increased reliance on electricity from renewable sources such as windpower, biomass plants and solar cells. By the end of 2003. Danish consumers will be obliged to take a 20 per cent quota of their power consumption from renewable sources.

The liberalisation package should benefit the government's finances, because only are you taking away new entrants to the Danish our state, but you are taking power market will be liable to tax just as any other company. Existing utilities are non-profit co-operatives owned by the consumers, been going on for 30 years." and therefore pay no tax.

By Robert Graham in Paris France's Socialist-led government yesterday unveiled plans to extend full public health insurance to low income groups in a move that will benefit 6m people. The scheme is part of an

to extend

insurance

health

electoral pledge by Lionel Jospin, the prime minister, to fight poverty and follows a year of planning. The scheme is expected to cost FFr9bn (€1.4bn, \$1.5bn) a year, split between central government and regional councils. The law introducing it will be given priority so it can be included in next year's budget. France already devotes 9.6 per cent of GDP to health spending. compared with a 7.9 per cent average in the European

Martine Aubry, social affairs minister, said the measures would rectify a situation "of intolerable inequality". She said that under the existing national health insurance system at least 150,000 people were excluded from health care. while a further 6m had only minimum cover. This has long been criticised for being inadequate for many basic health needs. Only those in work, who contribute to the health insurance scheme through their pay packets. or those who make their own contributions, are presently covered.

They pay for treatment, then receive a full or partial refund. The majority make top-up contributions into additional schemes, which are increasingly managed, though not owned, by private groups. As a result many French people on low incomes find they are unable to pay for proper health care.

The new plan not only gives those excluded from the basic insurance scheme free cover; it also entitles those with monthly incomes of FFr3.500 or less to free additional cover for all medi-

Belgium ponders Belgium's regional split ANTINE RP FLANDERS E. FLANDERS widening divide BRUSSELS Flanders in the north is pushing for more WALLONIA power at a regional level, much to the Brusset alarm of the south, writes Neil Buckley he regional parliament constitutional reform, due

However, the Flemish proposals seek to transfer a number of powers from federal to regional level. They spoken by 60,000 in the east. include income tax, health-Brussels, the capital, is care, family allowances, employment policy, foreign trade. communications. farming, even the railways. They also seek to downgrade Brussels' regional status, leaving the capital "co-governed" by Flanders and Wallonia. Federal government would be reduced to a skeleton. In one step, Belgium would become what constitutional experts call the "empty shell", a confederation of two largely autono-

education and culture, with the French and Flemish mous states. communities sharing respon-Economic realities mean sibilities in Brussels. The the plan has deeper resoregions are responsible for nance for Wallonia. Long the economic and industrial polcountry's industrial powerthree years' work in the icy, environment and planhouse, it is undergoing a ning. The federal governpainful conversion process and its economic performent looks after the rest, list" of Flemish demands for including defence, social mance lags far behind that the next round of Belgian security and justice. of high-tech Flanders.

The current system, where federal government collects most taxation, results in a fiscal transfer from north to south, estimated to be worth up to BFr500bn (\$13.6bn) annually. The Walloons see attempts by Flanders to "regionalise" taxation and parts of social security as a ploy to avoid subsidising their poorer neighbours. Hervé Hasquin, a Brussels

minister and historian of Wallonia, says the south made a net contribution to financing Belgium for 130 years. "It would be distressing and scandalous if. at the moment when the situation is reversed and Wallonia needs help, those in the north who are now richer wanted to break the links," he warned last month. The Flemish say the plan

reflects their right to reap, through tax revenues, the rewards of economic success. The parliamentary doc-

with the south - since a prosperous Wallonia is in Flanders' interests. The Flemish say the current system is opaque and ineffective.

nises the need for solidarity

Many suggest Flanders should support Wallonia's French-dominated state in reconstruction with targeted aid rather than propping up the current system through subsidies. The Flemish reform pro-

posals are highly unlikely to be adopted in full. They would require a two-thirds majority in the federal parliament, including majorities of both French- and Dutchspeaking members. But they will strongly influence this year's discussions on state reform and have made Belgium's future shape a central election issue.

They have also sent a clear signal that while many francophones are happy to

"In the south they say, not away our money. It's a double blow," he says. "For us, this just continues the line of negotiations that have



Singapore '99/ASEAN Furrique Show '99.

LIST OF EXHIBITIONS IN 1999

ふった Expo Rail (Asia) '99, Intertunnei (Asia) '99. InterAirport Asia '99 Fig.: PrimecAsia '99

..... SIAL ASIA. Pameran Pengantin Dan Fiesta, Dagangan Hari Raya & Makanar

Halai 99 & Pameran Rou & Anak 99 (Malai Wedding 99/TradeExpo, Halal Food 99 & Mother & Child 991, CommunicAsia '99

ೇವ: Heating, Ventilation, Refrigeration &

Alt-Conditioning Asia '99 (HVAC Asia '99). Air Pitration & Purification Asia '99. Refrigeration Asia '99, Sanitation Asia '99,

Tile Asia '99, Building Asia '99, BAC Asia '99 upermart Asia '99, Petroleum Epinomen Asia '99, Convenience Store Asia '99

Scy: WoodmacAsia '99, FurnitekAsia '99

ManufacturineAsia '99, industrial SafetyAsia '99. Tools&HardwareAsia '99

MaterlelHandlingAsia '99, SubConAsla '99, Citytrans Asia '99, Intertraffic Asia '99,

intentiansport Asia '99, Interautomotive Asia '99

250: Industrial Automation (IA '99), Logismet '99, BAUCON Asia '99, Secunt

Asia "99/Fire Safety & Rescue Asia "99 Wire Singapore '99, Tube Singapore '99

Essen Welding Asia '99

15-2: Corngated Asia '99, CMM Asia '99



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Little gain from Social Security plan - Greenspan

Alan Greenspan, the chairman of the Federal senior officials of the Clinton administration yesterday when he intensified his one-man campaign against their plan to invest a portion of public pension funds in the stock market.

Mr Greenspan said shift-

into equities from the Treasury bonds it now holds exclusively would not produce the big financial gains claimed for it.

Nor would it raise the overall returns on the economy's assets needed to meet the long-term goal of raising pension incomes.

"Investing Social Security assets in equities is... surplus of Social Security. told the House of Represen-

tatives' ways and means

The Fed chairman's remarks went further than his previous expressions of scenticism about the plan. which had been based largely on his concern that the new funds would be subject to too much political interference. Yesterday he challenged the economic assumptions of higher largely a zero-sum game," he returns on which the pro-

off future surpluses.

Social Security surpluses

from the rest of the budget.

the present practice of using

such funds to finance the

rallied with Democratic leg-

eral government

This would effectively end

But testifying before the same committee later, Lawrence Summers, deputy Treasury secretary, defended the plan, arguing it would increase returns.

"Between 1959 and 1996 the average annual rate of return earned on stocks was 3.84 per cent higher than the rate earned on bonds held by the trust funds," he said. "We believe that it is important to give all Americans,

est means, the opportunity then the net increment to to enjoy these potential benefits from stock market performance. However Mr Greensoan

argued the likely gains had been generally overstated. The process of shifting \$600bu of public money away from bonds towards equities would in itself lower the price of bonds and raise the price of equities, reducing the return they produced. "If this is indeed the case, the government of investing the trust fund in equities on an ongoing basis presumably would be less than the historical rates of return sug-

Mr Greenspan said that since the measure would have no overall effect on national savings, any eses in the returns to be had from equities would be offset by lower returns for the rest of the economy.

assets in the economy would be unchanged, as would the those assets. Any increase in Security must be offset by a on private portfolios, which ent, to a large extent, funds held for retirement. Mr Summers dismissed Mr Greenspan's earlier claims that the proposal would lead

to politicised decision-mak-

"The underlying economic ing about equity lines: the likely rate of return: He total income generated by said the experience of state those assets. Any increase in and local governments and returns realised by Social not support that argument reduction in returns earned his support for the broad

The Fed chairman restates thrust of President Bill Clin ton's plans, which Congres the bulk of the projected surpluses (invested in Treasury bonds) to shore up Socia Security.

Budget 'to top spending limit'

President Bill Clinton's budget for the year 2000 spending limits by \$30bn, breaking through caps that were part of the 1997 bal- nue-raisers in Mr Clinton's anced-budget agreement budget were not permissible between Congress and the the Congressional Budget

The CBO also found that Mr Clinton's budget would leave surpluses \$78bn smaller than the president

Republicans argue that the \$1.800hn budget proposed by

ate Budget Committee yesterday, Dan Crippen, the new CBO director, told lawmakers that part of the reason his agency arrived at the lower surplus estimates was because several of the reveunder the rules.

For instance, Mr Clinton would pay for many of his tax credits and domestic spending proposals by increasing taxes, such as an envisaged \$8bn increase in the tax on cigarettes in 2000. Mr Crippen said such off-

sets were not legal because budget rules do not allow tax increases to pay for more Mr Clinton in February spending on the discretionary side of the budget, which amounts to one-third of all islators on Capitol Hill, seek-

increases can only pay for corresponding tax breaks.

The administration is But Mr Crippen gave sticking to its message, first Republicans on the commitoutlined in January's State tee little comfort when he of the Union speech, that dismissed a budding effort three-quarters of expected by some in the party to fence budget surpluses must be used to buttress the troubled Several Republicans, includ-Social Security and Medicare iog Pete Domenici, the powprogrammes, cut the erful Budget committee national debt and create new chairman, want to enact legsavings vehicles for older Americans. islation that would separate

Mr Clinton and Mr Gore also voiced their support for legislation to strengthen the case of patients dealing with managed health care compa-

routine operations of the fed-Republicans, for their part Meanwhile, Mr Clinton sought to stir up support for and Vice President Al Gore cutting taxes with their own rally, led by Dick Armey,

MEXICAN POLITICS WORLD'S LONGEST-RULING PARTY FACES CALLS FOR DEMOCRACY

PRI is 70 years old and still. fighting for voters' support

By Henry Tricks in Mexico City

party will mark 70 years in power today, still fighting against relegation to the history books despite increasing internal divisions.

For years, Mexico's Institutional Revolutionary party (PRI) has commanded supporters as varied as its contradictory name suggests. from those with Ivy-league doctorates who run the government, to the straw-hatted peasants bused to its rallies for a sandwich and a soft.

At party headquarters, where President Ernesto Zedillo will toast the PRI today, giant murals celebrate violent class struggle, but bankers and business tycoons will also be rattling their Rolexes in the front rows. The call will be for unity before presidential elections in July 2000.

Electoral defeats, once

stack up, and many PRI members are demanding The world's longest-ruling greater internal democracy perhaps ironic in a party that long used political patronage to co-opt its enemies, and outright fraud to rob them at the ballot box. Often ordinary supporters

want to temper the policies of privatisations and deregulation which have prevailed in Mexico for more than a decade - a time when average living standards have "Right now the greatest

risk for the PRI is that it splits," says Oscar Gonzālez, a congressman leading a prodemocracy wing within the party. "When it splits, it

The battle is likely to

focus on the way the PRI selects its presidential candidate this year, after Mr Zedillo's decision to abandon the president's cherished privilege of handpicking his probable successor.



have already rendered most of the cabinet ineligible for According to Agustin Basthe party's nomination by prohibiting anyone who has never held any elected

Now the PRI is being pressed to ensure that no "favourite" emerges from within Mr Zedillo's inner cir the PRI."

public funds and media The party has learned the

hard way the perils of ignoring its militants, who tend to defect to the opposition. strengthening expectations of an anti-PRI coalition. Even so, the PRI remains the force to beat

It has recovered ground nationally since disastrous congressional election results in 1997, and still bears hallmarks of the votewinning monolith founded by Plutarco Elias Calles, a military boss, in 1929 to end the coups, assassinations, and uprisings that followed Mexico's 1910-1917 revolu-

ave, a party intellectual, it also continues to tap support in the farthest outreaches of

"The only things that get that far are Coke. Pepsi and

Hedge fund rules may be tightened

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FINANCIAL TIMES

US banking officials are like LTCM can be conconsidering ways to tighten regulatory control of banks which lend to hedge funds in the wake of the near-collapse of Long-Term Capital Management last year.

Officials vesterday told the House capital markets subcommittee that a presidential working group - chaired by Robert Rubin, Treasury secretary - was examining regulatory proposals to limit the risks posed by hedge

uty assistant secretary, said

rowings by hedge funds and how the leverage of firms strained more effectively".

In particular, the group of officials - which includes the Federal Reserve - are investigating three options. Mr Sachs said the options included "greater regulatory scrutiny" of banks, as well as "resorting to more direct forms of regulation such as expanded use of margin

Banking officials and congressmen are concerned that direct regulation would drive hedge funds offshore, beyond the reach of US laws. Officials are also review-

decisions to highly leveraged institutions such as hedge funds. "We believe that creditors must demand and borrowers must provide more relevant and up-to-date information than they have in the past," Mr Sachs said.

around 28 times, according to US officials, with capital of around \$4.7bn and total assets of nearly \$180bn at the end of 1997. Most other hedge funds had total assets of less than \$100bn and were leverage by a ratio of less than two to one at the time. William McDonough, president of the Federal Reserve

LTCM - told congressmen that banks were not prepared to assess what type of risks their hedge fund borrowers had undertaken.

"I believe the most practical approach is to focus on financial institutions' lend LTCM was leveraged ing activities, because such an approach offers a nearterm and cost-effective remedy to the systemic risks posed by highly leveraged institutions," he said.

Republican and Democratic congressmen have indicated they are prepared to consider legislation to enforce tighter regulations to limit hedge funds risks to Bank of New York - which the banking system

uito fails to halt sucre slide

per cent yesterday despite a package of tax, spending and structural reforms unveiled by the government. The sucre dipped below

amid febrile speculation The bank has categorically leposit to help the sucre. However, traders said the against the dollar by mid-

day. But it remained significantly weaker than the closing mid-rate of 9.900 against the dollar on Tuesday. Traders attributed the

dollar. It has been hurt by low oil and commodity prices, concerns over indebtedness and worries about the government's ability to 13.500 against the dollar durdeal with economic crisis. ing the morning's trading worst economic crisis for 70

An International Monetary

Deputies have been given package of urgent measures rebound to a central bank to finance the 1999 budget next few days. and hold the government's

three weeks ago from its previous value of 7,400 to the 1998.-

"We are not going to spend what we do not have," said Mr Mahuad.

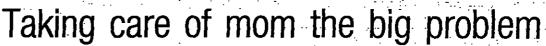
"Ecuador is living the and on redundancy payments. Mr Mahuad said pub-Mahuad in a national televi- \$5,000 a month.

vatisation of telecommunications and electricity and far given the government a sucre recovered to 12,000 Fund mission arrived in greater investment and liber-congressional—majority, Quito on Sunday to discuss a alisation within the hydrolooks set to support parts of possible stand-by pro- carbons sectors will be sent the financing package, but to Congress in the very near opposes new taxes. future, the president said. 21 days to approve the first Proposals for tax-reform will also go to Congress in the

The currency was floated of gross domestic product pressure on the sucre, which this year from 5.9 per cent in has fallen 28 per cent against the dollar since it was floated.

A deal with the IMF would allow Equator to renegotiate The finance package aims its Paris Club debt and to cut spending through lim- attract new multilateral its on public-sector salaries lending. The IMF is likely to make - any - support - conditional on the reduction of about central bank policy. years, but there is a way lic servants would be prohibt he fiscal deficit, tax reform out," said President Jamil ited from earning more than and progress with privatisa-

We have already approved the principle of cutting the privileges of the gilded bureaucracy," said Nervousness about the fis- Xavier Neira, a PSC condeficit down to 3.5 per cent cal deficit has contributed to gressman.



Public/private plans for long-term care have failed so far, according to a new analysis. Nicholas Timmins reports

ttempts to build public/ private partnerships for long-term care of the elderly in the US have "failed the market test, at least so far", according to an analysis prepared by the Urban Institute, a US think-

Yet the system of financing and delivering long-term care for both the elderly and younger disabled people is "badly broken" and generates "much passionale dissatisfaction", according to Joshua Wlener of the institute's health policy centre.

With the parents of the baby-boom generation starting to need long-term care, however, the issue will inevitably move centre-stage shortly, with the question of How are we going to take big concern for a substantial portion of the population.

In a paper drawn on in Britain by a royal commission, which this week proposed introducing free perpersonal care such a feeding. washing and dressing - for the elderly, Dr Wiener says recent experiments in four states, to provide easier access to Medicaid to those who have taken out approved long-term care policles, have failed.

Under the deal, those entering Medicaid are allowed to keep much more of their assets and still get help. Medicaid is a means tested assistance programme which only provides nursing home help once savings,



cut, Indiana, California and

aid and often offer poor pro-

tection, notably against

inflation, Many people give up the policies before they

"Private insurance is

unlikely to reform the finan-

cing of long-term care," Dr

Wiener says. It is a view the

majority on Britain's royal

commission endorsed this

week, although a minority

are old enough to claim.

excluding the home, have report argued that it could been reduced to \$2,000. still have a role. But despite having the aim "The notion of a public! private partnership is cheaper, the policies still remain unaffordable for larly in a country where most elderly Americans, Dr comprehensive health Wiener says. Just 30,000 have been sold in Connectireform seems politically unrealistic. "But it is hard to

New York, to a population of 7.2m elderly people. Because been to bar the sale of the policies have relatively poorer "non-approved" more "non-approved" polipolicies, but the insurance cles - around 5m nationally industry would bitterly have - been sold. These are often resisted that. cheaper. But they do not pro-If universal, non-means-

make more than a slogan."

tested support is politically impossible, he says, the amount people can keep and still receive Medicald could be raised so that fewer people face "complete impoyerishment" before getting help. The UK's royal commission also in part

endorsed this approach. Allowing couples to keep \$60,000 of assets and to receive \$100 a month for per-

sonal needs would cost about \$5bn a year, not an "outlandish" Wiener says.

A big improvement in ser vices in people's own homes, rather than in institutions, would help, as would integrating acute and long-term care to remove the incentive for the federal government and the states to shift costs across to each other through the largely federal Medicare health programme and the largely state-run Medicaid.

President Bill Clinton's proposed \$1,000 tax credit for the severely disabled and their carers is welcome, Dr Wiener says, but not sufficient to buy full care and elderly disabled Americans or more who do not pay tax. An ageing population. ering how poor their cover is

will soon require decisions

MEMENS

DESDAY MARKET

Andrew Co.

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1

Mr. Commission

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The decision on the poll paves the way for a cam- crime, unemployment and paign that Mr Mandela's rul- corruption". ing African National Con-

crime, poor education tiations between the ANC anxious to emigrate, while won in 1994, so that "Mickey national vote. The ANC and standards and a jobless and the country's white some blacks believe the gov- Mouse" opposition parties the mainly Zulu Inkatha

moment in South African expected to hand over the history." Tony Leon, leader presidency to Thabo Mbeki. in parliament in Cape Town of the liberal opposition his deputy, after the elec-Democratic party, said yesterday, "and the next five date for the national and the years will show whether but good humoured, as black nine provincial governments we are able to beat

gress is certain to win - but over South Africa since only after opposition parties April 1994, when the first all-

rate estimated at 30 per minority rulers - put an end to more than four decades of "This election is a decisive apartheid. Now aged 80, he is

citizens relished their newly won right to vote and whites thankfully sloughed off their Mr Mandela has presided apartheid-era guilty con-

have tried to woo voters by race elections - following more sombre. Whites are pared with the 63 per cent Five years on, the mood is complaining about violent years of constitutional nego- often fearful of crime and share of the vote the party

ernment has been too concil- cannot interfere with gov- Freedom party, already latory towards those who still control most of the country's wealth.

Only just over half the country's eligible 25m voters have bothered to register for have a last chance to do so this weekend.

Mr Mandela has said he wants an overwhelming ends. mandate from the electorate in the form of a two-thirds

ments by other ANC leaders closer in recent months. have alarmed the ANC's arousing fears among other opponents. They have made parties that the ANC will the "two thirds" drive a camthe election, although others paign issue, arguing that it itself in power. means the ANC wants to change South Africa's liberal - this country that we do not constitution to suit its own

> Opposition parties, however, remain weak, and of the small Pan-Africanist recent opinion polls suggest that none of them will win more than 10 per cent of the wind now.

together in a government of This and similar state- national unity, have drawn absorb the IFP and entrench

> "We must be careful in encourage a government that has no strong opposition," said Ngila Muendane Congress, "In Zimbabwe they are reaping the whirl-

NEWS DIGEST

TOURIST MURDERS

Museveni vows to kill or capture rebel gang

Ugandan President Yowen Museveni vowed yesterday to capture or kill the Rwandan rebels who slaughtered eight tourists in Uganda, and said his government had not done enough to protect the victims. Apologising for the deaths, Mr Museveni said a battalion of Ugandan troops had pursued the ethnic Hutu rebels across the border into the neighbouring Democratic Republic of the Congo and would hunt them down. "If we don't catch them, we shall kill them," he told a news conference.

Mr Museveni conceded that Ugandan authorities did not take sufficient precautions to safeguard the lives of tourists visiting Bwindi National Park to track rare mountain gorillas. "Given the criminal nature of mind of these (rebel) groups, which are spread through the region, the authorities concerned should have had the foresight to take precautions in the case of Bwindi, which is close to the Congo border." he said. The victims were four Britons, two Americans and two New Zealanders - four men and four women. One survivor said the eight were bludgeoned and hacked to death with machetes. Reuters, Kampala

LEBANON OCCUPATION

Sharon calls for coalition

of disarray over policy in occupied south Lebanon.

Ariel Sharon, Israel's foreign minister, yesterday proposed cancelling elections and forming a national unity government to pull Israeli forces out of Lebanon, in a further sign

Ehud Barak, opposition Labour leader, swiftly rejected the proposal. One day earlier, Mr Barak pledged to withdraw Israeli troops from Lebanon within one year of taking office, if he wins the elections in May. Benjamin Netanyanu, Israel's prime minister, also rejected the proposal. We want to leave Lebanon but we have to ensure that Lebanon doesn't come to us," he said. Israel's policy in its self-declared "security zone" in south Lebanon has turned into an important election issue since hostilities with Hizbollah, the Lebanese Shia Islamist movement, escalated over the past two weeks. Avi Machlis, Jerusalem

SENEGAL PRIVATISATION

Electricity stake to be sold

The Senegalese government is to sell 34 per cent of Senelec, the national electricity company, to Elyo, a subsidiary of the French utilities group Suez Lyonnaise des Eaux, and Hydro Quebec International, the Canadian utility, the companies said yesterday. The FFr390m (\$65m) deal, part of wider plans to liberalise Senegal's energy market, includes the possibility for the consortium to increase its stake to 49 per cent in the next five years.

The Franco-Canadian consortium will also take over the management and operations of the company, as part of a 25-year concession to generate and distribute electricity to Senelec's 330,000 customers. Market reforms, however, will allow other generators to start up in coming years, although the consortium has exclusive rights on the distribution side. Senelec's production capacity is 300MW, but the deal also includes an additional 60MW plant under construction. The company had turnover of roughly FFr800m last year. Samer Iskander, Paris

UN peacekeepers give up on Angola's cat and mouse war

Nicholas Shaxson on a seemingly

indefinite conflict President Jose Eduardo dos Santos' problem with the Angola rebel leader Jonas Savimbi is similar to that faced by Tom, the cartoon cat, suggests the

writer Rafael Marques. After many episodes, Tom has never managed to catch and eat his small but elusive foe. Jerry the mouse. "They fight, with a lot of

noise," he says, "Sometimes they almost make friends. And then they fight again." The Angolan Armed

Forces (FAA), fighting for a government that earned defeated in various battles across northern and central Angola since December by the Unita movement, which digs diamonds worth less than a tenth of that.

The collapse of the latest peace agreement, the Lusaka Unita forces are contained in protocol, has been followed this week by the withdrawal of the United Nations peacekeeping mission after its handsomely on rapidly mandate expired.

Unita has been besigging the northern city of Malanje since January, though the recent heavy shelling was reported to have eased yes-

games with the FAA," a dip- from the tragedy."

Angola (MPLA), said his government wants to "completely eliminate Jonas Savimbi's war machine".

"This could take weeks, a year, or two years," he said. State television now regularly shows pictures of a snarling Savimbi with "war criminal" stamped in large blood-red letters across his face, and his name only appears in state newspapers next to words like "bandit" and "terrorist".

Most analysts believe that despite Unita's recent miliaround \$3bn from oil exports tary successes, the governlast year, have been bloodily ment's resource advantage will eventually let it expand its control over territory up to a point. The long-term plan, many

argue, may be a cynical acceptance of an indefinite, manageable war in which non-strategic areas while the government controls the main towns and survives expanding oil revenue.

people against miserable people," a diplomat said. the government's mistakes."
"The people running the said a Unita official who show, especially here originally came to Luanda

In this scenario Mr Sav-Nevertheless, João Lour- imbi also accepts an indefienco, secretary-general of nite war as a natural state of the ruling Popular Move- affairs, as he continues to ment for the Liberation of punch out as much geographic and political space for himself as possible. "For Savumbi, survival is

victory. Looking at it that way he has been winning for years," a diplomat said, "But you can be sure he will not let himself be contained quietly. And that makes everyone pervous." Another peace deal while

Mr Savimbi is alive appears out of the question. The government considers two UNsponsored periods of peace following the 1991 Bicesse agreement and the 1994 Lusaka protocol provided shields for Mr Savimbi to rearm and it says now it will never trust him again with another deal. UN efforts to promote dialogue are decried as biased interference.

Unita officials make no secret of their hopes that one day a military stalemate. combined with worsening social conditions and a growing perception of government corruption. will provoke a favourable political "This is a war of poor re-alignment in Luanda.

this very problem. "Unita's greatest asset is the government's mistakes." The latest government terday. "Unita is playing in Luanda, are immune under the Lusaka deal. "And ished, marked a further con-threatened with suspension. the results." a diplomat said.

ment

the government's biggest centration of power in the and the rest have been weak point is bad managenew war footing.

United Nations troops taking down the UN flag in Luanda on Monday. Peacekeeping efforts have been

Long-running strains in the ruling party, the MPLA. and the FAA may have been worsened recently by the poor showing on the battlefield. The appointment of populist and charismatic Kundy Payama as defence minister in a government reshuffle at the end of January was aimed at addressing charges.

shake-up, in which the post 70 Unita members of the 220- been quite evident here of prime minister was abol- strong assembly have been recently and we are seeing

Unita's strength in parliament, eroded when nine members defected last year to an anti-Savimbi faction sponsored by the government, was further weakened by the imprisonment in January of five of their colleagues on what diplomats strongly on to power. believe were trumped-up

Seven more of the original

president's hands, and forced into complex and placed the government on a ambiguous relationships with Mr Savimbi and with their hosts in Luanda.

But rumours of tensions in government bave swirled through Luanda many times since independence from Portugal in 1975, and apart from a coup attempt in 1977, Mr dos Santos has held

"Nothing concentrates minds better than fear of Jonas Savimbi - that has

SEWENS

18.-24.3 1999 Halls 1 and 13

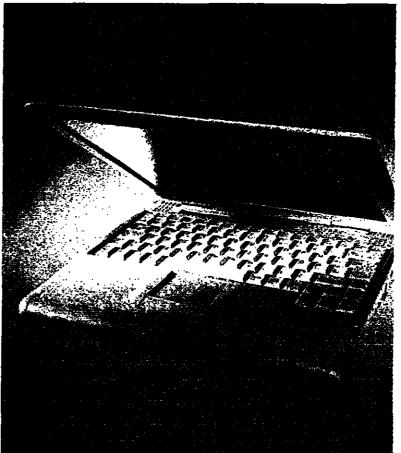
CeBIT

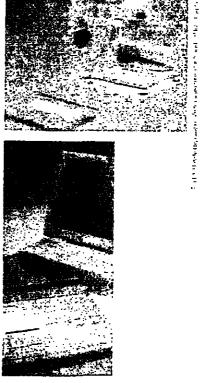












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> Siemens Computer Systems Information meets Communication

EU attacks US over list of target items in banana war

The US yesterday sought to buy time in its dispute with the European Union over bananas by deferring full implementation of its threat to impose sanctions on more than \$500m of EU exports.

Washington said it was immediately declaring a list of EU products liable to 100 per cent tariffs, but would not collect the higher duties until World Trade Organisation arbitrators had determined the amount of damages to which it was

But the EU strongly condemned the decision. Sir Leon Brittan, trade commissioner, said it "fanned the flames of the dispute" and unlawful. He called for Some observers said that if EU has complied with the urgent consultations with Mr Clinton delayed acting WTO judgment against its

the US and said the EU for much longer, Congress would be discussing further members might try to force moves in response. The US move, known as

suspension of customs liquidation, was prompted by a last-minute delay in the arbitrators' report, which had been expected on Tuesday. The US hopes the compromise will satisfy domestic political demands for immediate retaliation, without bringing it into conflict with WTO rules.

However, the decision was expected to arouse strong criticism in the US Congress. President Bill Clinton promised Congress last year to impose sanctions by today if the EU had not complied with a 1997 WTO ruling against its banana import

Some observers said that if

his hand by reviving a proposal to legislate mandatory sanctions against the EU. The US would not say how

much longer it was ready to wait for the WTO arbitrators' decision. But Peter Scher, special trade ambassador, said he expected them to report soon after the middle of this month. He said yesterday's deci-

sion was intended to "give the WTO system the benefit of the doubt" and to protect the legal right of the US to retaliate. He conceded, however,

that it was possible that the report could be delayed until April 12, when the panel arbitrating on the sanctions is due to rule on whether the

banana regime. Although the EU recently modified the regime, which favours imports from Africa, the Caribbean and Pacific, Washington says it still discriminates against US distributors of Latin American

Exports liable to US sanc-

tions span a diverse range of products, including fountain ns, cashmere sweaters and pork, from all EU members except Denmark and the Netherlands. However, greeting cards and chandeliers are being dropped from the original US sanctions list.

Mr Scher said that the lated in the light of US estimates of trade lost because of the banana regime, but that the amount could be adjusted in the light of the WTO arbitrators' report.



Australia presses for liberalisation of parallel imports

The Australian government is pressing for the liberalisation of parallel imports of books and computer software, following market openar. The move is part of sumer and Competition Commission (ACCC), the government's anti-trust and fair trade watchdog body, "step by step" approach to imports of book and software the government was deter-parallel import liberalisa- by July. Microsoft, the US mined to introduce the legis-

The ACCC, which last year won a long political battle for legislation to allow parallel imports of CDs, said it was asked "at short notice" by the government to report ing for CD imports late last by the end of March on consumer benefits of liberalising what the Australian Con-sumer and Competition book imports. Computer soft-ware is likely to follow, commission executives said. indicating the government intended to present legisla-

that changes in Australian law relating to software imports could result in more pirated products being sold in Australia. "Allowing parallel imports (of software) means customs authorities will increasingly have problems detecting the ship-ments they can seize," said Microsoft Asia-Pacific's corporate attorney, Ron Eck-

But ACCC officials said

computer company, warned lation before changes in the Association, an umbrella groups. But Allan Fels, that changes in Australian composition of parliament's group representing more ACCC's chairman, said last upper house took effect in July. The changes follow a national election last year. in which opposition parties, the Democrats and the Labour Party, increased their numbers.

Australian book publishers, who would be directly affected by the government's move to liberalise book imports, said they would to liberalise the book trade. The Australian Publishers

than 80 per cent of the indusagainst the ACCC's intention to open the market to parallel imports.

books and business software. The government's request for a report from the ACCC followed the liberalisation of CD imports last October, a move opposed by record

week the changes had try, said it would lobby already brought down the prices of CDs in Australia "without great impact on record companies." Mr Fels The ACCC has previously said surveys showed the said that Australians pay too average price of CDs had much for some imported fallen by nearly A\$2 (US\$1.25) from an average A\$30-plus, while some retail-

However, Mr Fels, ACCC

ers had reduced the cost of

selected top-selling CDs by

CDs. software and books would help retailers in Australiz counter growing use of the internet, which enabled consumers to bypass retail-

concerns about the potential increase of imports of pirated books and software. Mr Fels said the government had already raised penalties for pirated CD imports raising fines and reversing

consumers in the province. The cost of the terminal

and the pipelines have been

put at around \$600m and the

power station, which will be

about 50 per cent more effi-

tions, may require between

Construction of the termi-

Much of the remaining

investment needed for the

project will be devoted to

delivering the LNG to China

from one or more of several

competing areas, including

Australia, Indonesia, Malay-

One leading contender for

supplying the gas, the North

West Shelf project in west-

ern Australia, needs to win

the Shenzhen deal in order

US\$5hn. Another Australian

hopeful, the Gorgon project

also in western Australia, is

sia and Yemen.

\$1bn to \$2bn in investment.

nal is expected to start in

2004-2005, executives said.

nearly one third.

Asia was greater.
Before the Asian financial crisis, the aircraft industry had set great store by growth prospects in the region. expected to account for over a quarter of civil aircraft demand in the next

Because of an intensive sales effort in the region. about 30 per cent of Boeing's backlog at the end of 1997 measured by value, was based on orders from Asian airlines. Only 18.3 per cent of Airbus's manufacturing

downturn. About 67 per cent of Boe-

Mounting arrears fuel concern over foreign aid in Japan

By Michiyo Nakamoto in Tokyo

increasingly concerned about the high level of foreign aid that has not been repaid on schedule.

According to the foreign ministry, at the end of last March, Y440bn (\$3.6bn) in repayment. yen loans extended to foreign governments and other organisations as part of Japan's foreign policy, sel-Japan's official development dom attracts public attengramme had not been repaid six months after the payment deadline. This is the first time that the total arrears of yen loan principal payments has been dis- greater benefit to Japanese closed. If the amount that the Paris Club of creditor countries has agreed to reschedule is included, the arrears come to Y530bn.

Yen loans are an important pillar of Japan's ODA programme and are provided

at very low interest rates for development projects. They becoming generally go towards infrastructure projects such as roads, bridges and airports. Although interest is low and the repayment period can be as long as 40 years, in principle Japan has insisted on

> Japanese ODA, which has played an important role in tic criticism that Japan's aid programme, much of which is not tied to purchases of Japanese goods, should be of companies suffering a severe slowdown at home.

Revelations some Japanese companies had used lic criticism of lax controls. The level of delayed pay-

CONTRACTS & TENDERS

REPUBLIC OF CAPE VEREDE

Invitation for

Expression of Interest

for Pre-qualification to acquire 51% of the shares of ELECTRA SARL for the production

The Government of Cape Verde (GOCV) has commenced a privatisation programme to

introduce private sector participation in the electricity and waterwaste sectors. As part of

this programme, the GOCV has begun the legal and regulatory reform of its electricity and water sectors, with the objectives of creating a transparent environment for the sustainable

development of electricity and water supplies in all nine islands of Cape Verde, High priority is being given to the attraction of private sector investment and expertise in power generation and distribution on all islands, desalinated water production and distribution on

The GOCV invites expressions of interest from strategic investors for the acquisition of 51% of the shares of ELECTRA's production facilities, with a long-term concession contract for the distribution networks of electricity and water services, to submit Pre-

qualification Documents in order to be considered for selection as per-qualified Applicants.

The Municipalities' share ownership of ELECTRA is 12.3%. The GOCV will retain 100

shares and Golden share rights. The remaining shares will be offered for sale to employees

of ELECTRA (5%) and approximately 31.67% will be offered for later sale to the local

Government-owned shares (51%) in ELECTRA. Applicants may be electricity and water

Interested parties may obtain a copy of the Pre-qualifications Document by e-mail or down

The Pre-qualification Document must be accompanied by a bank draft payable to "Tesouro

Publico" in the amount of 20,000 Euros. The Pre-qualification Document will be due by

16:00 hours on Monday, March 29, 1999. Eligible bidders may contact the above the

above address for clarification or any questions regarding the Pre-qualification process.

E-mail: Pare.adm@mail.cvtelecom.cv

public and Cape Verdean emigrants. Pre-qualified Applicants will be afforded the

load from the internet (www.cvprivatization.org), or by written request to:

opportunity to respond to a Request for Proposals (RFP) in respect of the sale of the

four islands, and the operation of waterwaste treatment facilities on two islands

of Electricity and Desalinated Water and Concession Contract for the distribution of

electricity, water and waterwaste treatment facilities.

utilities of consortia led by an electricity utility.

Programa de Apoio as Reformas Económica

Mr. José Goncalves, Administrator

Av. OUA - CP 266-A

Phone: (238) 62 33 80

Fax: (238) 62 33 60

Praia - Cape Verde Islands

outstanding yen loans, at far there has never been a single default on Japanese yen loans. "These are all government guaranteed so we have no concerns about the danger of default," said a foreign ministry official.

However, amid continuing about payments in arrears are likely to fuel further concerns about ODA programmes. The Japanese government has set aside a special \$30bn fund to assist five Asian countries strug-

gling to obtain funds. "The level of payments in arrears is too high. Humanitarian and effective ODA is of course necessary, but amid the severe recession, given that (ODA) uses tax-

ments is only a fraction of payers' money, it is necessary to strictly monitor the review (the programme)," Juniji Higashi, a Komeito member of parliament said. Many of the largest recipi-

ents of Japanese yen loans are facing a slowdown in economic growth. Indonesia, which has suffered a severe economic contraction and is economic uncertainty in still in danger of political was studying a preliminary Shell, Total and others are Japan and developing coun- and social turmoil, is the tries, the latest revelations largest recipient with import complex, to be forming joint ventures with eries may begin around Y1,700bn outstanding.

 Nippon Telegraph and Telephone (NTT) vesterday defended the level of access fees it charged competitors as "reasonable" and rejected US claims the fees were too high and stifling competition, Reuter reports from Tokyo. NTT said it had cut the fees charged to competitors to connect to NTT's local network by 40 per cent since 1994.

reduce reliance on coal, na's energy needs.

China to set up huge LNG import project na's annual fuel consump- province. Other pipelines

China is expected to grant approval for a multi-billion US dollar project centred around the country's first liquefied natural gas (LNG) important shift in Beijing's energy strategy.

Industry executives said the state council (cabinet) such as BP/Amoco, Mobil, feasibility study on the believed to be interested in 2000-2001 and the first delivlocated near Shenzhen in the a Chinese counterpart to southern province of Guangdong. Formal approval was likely sometime over the next few months, officials

and executives said. The project, which would be based on imported gas, is indicative of China's growing preoccupation with minimising pollution and emphasising efficiency in energy consumption. Zhu Rongji, the premier, is

around 60-70 per cent of Chi-

Natural gas accounts for

tion, significantly lower than may be built to supply retail the 10 per cent world aver-

If the Shenzhen project proves a success, approval may be granted for other import terminal, marking an similar terminals along China's east coast, industry experts said.

International oil majors supply and operate the Shenzhen project.

A bidding process may start shortly after the project wins approval from the state council. The most likely local partner is to be a consortium led by the China National Offshore Oil Corporation, a state-run concern, which is keen on taking a

majority stake. Some details may be among many prominent altered, but the project's to justify an expansion plan advocates of a strategy to main features are to be an which could cost up to import terminal capable of processing 3m tonnes annually, and a pipeline, possibly more than 100km long to hoping to win the LNG consupply a power station - as tract to help launch its only about 2 per cent of Chi- yet unbuilt - in Guangdong US\$8bn development.

World retail pharmacy purchases 1998 .7,174

3,897 11,355 6.375 2,360 2.136 1,353 1,498 1.066 82E 646 2,214 Anti-infectives 4,588 1,901 1,613 1,204 532 7.381 2,506 754 1,364 1,319 473 **Gerato-uningry** 5,066 844 483 510 813 1,445 217 225 2,841 2,623 938 589 215 18,185 12,471 1,190 1,873 1,673 1,095 705 74,095 38,764 15,470 8,123 8,385 5,284 % Change

US prescription drugs sales rise pushes world figures to record estimates that the US ities show greater willing-

Sales of prescription drugs reached a record bigh of \$185.3bn last year in 13 selected countries, in spite of flat or declining volumes in some of the world's biggest markets including Japan, France and Brazil.

The strength of the US conomy and the continued willingness of private insurers to fund rising drug bills sales to \$74.1bn in 1998, 11 per cent higher than the pre-

The latest data from IMS Health, which monitors sales of prescription drugs worldwide, underline why many pharmaceutical companies have been increasing their US sales forces and spending eral years of sharp declines. more on direct-to-consumer advertising, Goldman Sachs

accounts for 40 per cent of total drug company sales and 60 per cent of profits. Sales in Japan, the world's second-biggest pharmaceuti-cals market, fell 1 per cent to metabolic differences meant

Japanese authorities have taken a series of measures to squeeze drug budgets. especially for high-priced new products, amid concern that spending on pharmaceuticals could get out of hand as the population ages.

it often takes years to get Japanese regulatory

approval for drugs already well-established in the US and Europe. However, according to IMS Health, sales in Japan show signs of stabilising, after sev-

The drug approval process

ness to accept data from clinical trials conducted outside Japan. Until recently, Tokyo had insisted that genetic and

that evidence of a drug's safety and efficacy gathered in the west had only limited validity in Japan. Observers continue to predict the consolidation of Japan's fragmented domestic drugs industry, a process

which some believe may help foreign companies gain a stronger foothold in what has been a notoriously difficult market to penetrate. Brazil, the world's seventh

most important drugs market, saw sales drop 5 per cent to \$6.5bn largely as a result of economic slowdown. It is not yet clear may also speed up as author- what effect the recent deval-

that, after China, is considered one of the best prospects for the drugs industry. The developing world still counts for only a fifth of world drug sales by value,

Europe accounting for nearly 80 per cent. In Europe the picture was mixed last year. Germany and France, the world's third and fourth biggest markets respectively, grew at 6 and 4 per cent to \$15.5bn and

with the US. Japan and

Italy and the UK, which come fifth and sixth, both grew at 8 per cent to \$9.1bn and \$8.4bu respectively. Spain, Europe's fifth bigge consumer of drugs and eighth in the world, was one of the few markets that grew

tors Services, the credit rating agency.

Moody's said the downturn would continue into 2001. "However, several elements suggest this coming downcycle will be less severe than the last one," said Tas-sos Philippakos, Moody's senior vice-president. Airline companies had strengthened their balance. heets. "Management also has been very prudent, ordering aircraft only when the need is compelling," Mr

50.1

heme park

Meakthrou;

Philippakos said. This would limit the number of aircraft cancellations when the downturn began. Moody's said it expected aircraft deliveries to peak at 900 this year, against 798 in 1998 and 562 in 1997. Aircraft manufacturers would find it

Delivery

downturn

'will hit

Boeing'

A downturn in civil aircraft

deliveries will begin next

year and Boeing of the US

will suffer more than Airbus

Industrie, its European rival,

according to Moody's Inves-

difficult to increase prices, despite commitments by Boeing and Airbus to maximise profit margins. Moody's said the manufacturers would be unable to

raise aircraft prices because of the effect this would have on airline profitability. Mr Philippakos said Boeing would suffer more in the coming downturn than Airbus because its exposure to

backlog was for Asian

Airbus had enjoyed more success selling aircraft to European and North American airlines than to Asian

Boeing's dominance of the large aircraft market had also increased its exposure to Asia, which operated a higher proportion of bigger jets than any other market. But Moody's said the damage from the Asian crisis would be mitigated by orders the two manufacturers had won in countries less affected by the economic

ing's Asia-related backlog depended on countries not seriously affected, such as Australia, New Zealand, China, Singapore, Taiwan, India and Japan. Some 59 per cent of Airbus's backlog of Asian orders was in lessaffected countries.

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MARCH 4 00 a

minister, is expected to

announce the largest deficit

in two decades.

the National People's Con- increase in government big increase in domestic con- issued by state-owned banks, of these variables, as long as to increase revenues. gress, the annual full session of China's parliament in Bei-infrastructure construction. jing, Mr Zhu will tell delegates this year's budget will show a RMB150.3bn (\$18bn) deficit, 56 per cent higher than last year.

weaknesses in the real Chi-The Chinese leadership falling exports. In a copy of will rely heavily on state his speech seen yesterday, analysis calculate. But, the spending to achieve the 7 per Mr Zhu says: "The external cent economic growth it is economic environment we aiming for this year, just as face this year remains last year's 7.8 per cent extremely serious... It will In a speech to delegates to growth was driven by an be difficult to see a relatively tic debt, excluding bonds

expenditure particularly on sumption demand for a was officially quoted at it still has the money for period of time."

The reliance on deficit China can afford a ballooning budget deficit, which is spending underlines the still modest by international nese economy, namely lack-standards at just 2 per cent lustre internal demand and of gross domestic product, for at least two more years, medium-term trends suggest the budget deficit could soon become a heavy burden.

RMB750bn - 9.4 per cent of stimulus injections. The real gross domestic product, question should be how long Total government revenues accounted for just 12 per

est of any large economy. Credit Suisse First Boston, per cent since China's says: "There is an overemphasis on immediate growth. the exchange rate and state sector reform...[but] the government can control all to prompt a drive by Beiling

it will take before the government runs out of financent of GDP, one of the low- cial resources." The increase in the deficit, Dong Tao, economist at which has risen by nearly 50 finance minister gave an initial estimate for the national

budget at the beginning of

the year, is therefore likely

steadily from 35 per cent of the fiscal contribution of

state-owned enterprises. As the State Administration of Taxation has come ingly to the domestic bond under pressure to reverse the long-term decline, tax structure spending proofficials have already gramme that is Beijing's increased the scrutiny of for-

eign-invested companies.

Tax revenues, which fell for example, reports that the tax authorities recently GDP in 1978 to 11 per cent in demanded a review of all its 1995, have been further hit payments and transactions by the precipitous decline in dating back to 1993 to root out any unpaid taxes.

The government is also expected to turn increasmarket to finance the infra-Keynesian stimulus for China's slowing economy.

DEMUTUALISATION PLANNED ENHANCING ROLE AS INTERNATIONAL FINANCIAL CENTRE - TIGHT TIMETABLE FOR APRIL 2000 LISTING

By Louise Lucas and

Hong Kong is to merge its stock and futures exchanges and spin the new entity off on the stock market in a bid to enhance its credentials as an international financial centre, Donald Tsang, financial secretary, said yester-

The move, which is in line with global trends, could capital to fund technological prove contentious in Hong Kong where the stock exchange retains vestiges of its former club-like mentality and disputes with the futures exchange - over anything from stock options to trading as early as April

ASIAN HOPES 'HARD NEGOTIATING AHEAD'

Disney eyes a

theme park

breakthrough

yesterday as a front-runner ture, which will require

shore up its important tour- Price Waterbouse Coopers.

Donald Tsang, financial (US\$3.9m) had been set aside

secretary, confirmed that for reclamation at Penny's

long-rumoured talks were Bay, the expected site of the

"much hard negotiating lies But Mr Tsang stressed

monious single entity. However, Lee Hon-chiu, chairman of the Hong Kong stock exchange, said he was confident that the body's members would support the proposal. Ultimately it would benefit brokers: Andrew Sheng, chairman of the Securities and Futures Commission, the industry regulator. said a listing would enable

the clearing system. The government has laid

developments and upgrade

already selected a financial adviser, and will formally make its appointment by tomorrow.

Bill Kwok, acting chairman of the Futures market-driven and better Exchange, said the sevenmonth time frame would be "exacting", but added that contributing to any structural changes that will assist Hong Kong to enhance its role as an international financial centre".

ing houses which will also be rolled into the single entity, must first calculate a valuation of their respective assets, and then agree a share ratio swap. These

stress on

boldness

of plans

By Rahul Jacob in Hong Kong

Donald Tsang, Hong Kong's

financial secretary, said he

had chosen an electric tur-

quaise for the cover of this

year's budget because the

colour gave "a sense of bold-

Plenty of boldness was cer-

tainly needed as the govern-

agreed within seven months. the government expects this demutualised; while Mr Tsang said the move would modernise the financial structure and make the exchanges more efficient, able to respond to competition. Alec Tsui, chief execu-

the body was "committed to exchange, said benefits unnecessary. However, this included economies of scale, especially on technological investments and resolving turned share buyer and

Initially the new listed exchange will have a monopoly on stock and futures Stockholm. Amsterdam.

especially with the rise in

Demutualisation of the Hong Kong stock exchange has been mooted before, but was previously rejected by view changed in August when the government of how exchange members nary discussions began. according to Mr Lee.

Also influencing the decision were worldwide trends. Exchanges in Frankfurt,

meet the deadlines: it has arrangements are to be trading in the territory, but Italy and Australia have will be dissipated in time, exchange mergers have been taking place in the US. Most recently, Singapore announced its intention to

merge its exchanges. Brokers were yesterday guarded in their support of tive officer of the stock the government as being the move which strips them of their membership rights. But some noted ownership rights have been eroded since reforms of the stock exchange began after the market crash of October

> "Now owners of these assets will at least get some compensation," said Carlton Poon, managing director of Worldsec International, a Hong Kong-based brokerage.

Jakarta By Sander Thoenes in Jakarta More than 1,000 Moslem

students protesting in Jakarta yesterday called for a Jihad (Holy War) against Christians, renewing fears that religious clashes in Indonesia, so far localised, could spread.

The students reacted to reports, denied by police, that officers killed four Moslems in or near a mosque on the island of Ambon, where some 200 people have died in recent clashes.

Some 2,100 more troops bave recently arrived in Ambon, including marines who have been more effective than other soldiers in quelling unrest. Violence on the Maluku islands has sent thousands of mostly Moslem migrants fleeing, raising fears that they could take revenge on the Christian minority there. Ujung Pandang and other local towns have remained calm.

The reported mosque shooting seems to have angered Indonesians more than previous clashes. Military spokesmen said two policemen and one soldier were being investigated, and the local police chief was sacked yesterday.

announced it would send more troops to East Timor, reversing a pledge to pull out gradually, on the grounds that civilians who opposed independence were under attack from pro-independence groups.

Portugal accused Indonesia of "hypocrisy" in offering East Timor independence while boosting troop presence but diplomats said fears of retribution were

Calls for | Hun Sen 'Jihad' in rules out

military

tribunal

Hun Sen, Cambodia's prime minister, yesterday appeared to rule out an international tribunal to try Khmer Rouge leaders for their role in the 1970s "killing fields" reign of terror, Reuters reports from

Mr Hun Sen said efforts to bring leaders of the Khmer Rouge to trial could create panic among members of the group who have already surrendered and shatter Cambodia's recently found peace. The prime minister said in a letter to Kofi Annan, UN

secretary-general, that Cambodia was considering a South African-style truth and reconciliation commission to investigate almost 30 years of conflict since 1970. "We have never rejected the accountability of the

Khmer Rouge leaders for the crimes of genocide in Cambodia," Hun Sen said in the letter, released by the government in Phnom Penh. "We just want...to caution that any decision to bring

the Khmer Rouge leaders to justice must also take into full account Cambodia's need for peace, national reconciliation and economic development. The UN report has not

been released but the New York Times said it proposed an international tribunal to try 12 former Khmer Rouge leaders and a separate Cambodian truth commission to consider all other cases. The report was drawn up

by a team of legal experts appointed after a 1997 request from the government for help in setting up a tribunal to investigate the 1975-79 period of Khmer Rouge rule when an estimated 1.7m people were killed.

HK to merge stock and futures exchanges

Peter Montagnon in Hong Kong

trading hours - do not augur next year. For its part, the

By Louise Lucas in Hong Kong

Hong Kong emerged

in the race between Chinese

cities to become the first to

host a Walt Disney theme

park: a multi-billion dollar

investment which would

ahead" on an outline plan to

build a park on Lantau, the

outlying island which is

home to Hong Kong's new

For Disney, a park in

China would represent the

achievement of a goal

deferred for years by politi-

cal and financial obstacles.

the most serious of which

was removed last October

when Michael Eisner, the US

group's chairman, visited

That led to the lifting in

January of a two-year ban

on the distribution of Disney

films in China Last week,

Robert Iger, one of the

group's most prominent

executives, was appointed to

set up a new international

division to foster growth

Disney's theme parks, in

California, Florida, Tokyo

and France, are its most con-

sistent source of profits.

under way, but warned park.

and Christopher Parkes

in Los Angeles

the single exchange to raise

out an aggressive timetable. which could see shares in the newly merged entity har- stock exchange is racing to

ing partner and the Hong

Kong government will prob-

ably be called on to contrib-

ute substantially to the ven-

heavy infrastructure invest-

ment might provide the

land. Guy Ellis, a partner at

noted that HK\$30m

that a Disney project would

benefits to the territory,

thousands of jobs and creat-

Other tourism proposals in

Mr Tsang's budget yesterday

included consideration of a

new cruise ship terminal, a

dolphinarium and a "Fisher-

man's Wharf" retailing and

restaurant entertainment

centre in Aberdeen, a coastal

strip renowned for its float-

ing restaurants and inci-

The tourism downturn

since the July 1997 handover

of sovereignty has been one

of the most severe economic

problems dogging Hong

Kong. The Asian crisis, and

currency shifts that have

rendered Hong Kong sharply

more expensive, have cut

deeply into numbers of Japa-

dents of cholera.

ing applications for technol-

Observers said the govern-

ment including access.

Both bodies, and the clear-

Tsang

puts

the role conflicts of the gained first-hand experience exchanges. Rafael Hui, financial services secretary, said a operate - and when prelimirestructuring would also enhance corporate gover-

New Strengths

economy that contracted 5 Donald Tsang showing plans for a "Cyberport" to attract high-tech companies

ment tries to turn around an per cent last year by boosting spending while trying to contain a rare budget deficit. Initiative was also needed its addiction to revenues Mass Transit Railway, the some years have accounted for about a third of its The budget Mr Tsang pres-

ented yesterday showed plenty of boldness, striking out in several directions. He confirmed that the government was close to an agreement with Walt Disney to set up an amusement park in Hong Kong, which would be a welcome shot in the arm for the suffering tourism business. The governing with the private sector to develop a HK\$13bn (US\$1.7bn) "Cyberport" hightechnology project to attract

panies to Hong Kong. "The whole thrust of this budget is to create new opportunities," Mr Tsang

Tsang declared the governcheques to taxpayers, amounting to a 10 per cent rebate on the taxes they paid

Dong Tao, an economist with Credit Suisse First Boston, said that the Disney project would result in HK\$20bn in additional construction spending. He estimates the project would create 10,000 to 15,000 jobs with multiplier effects of an additional 80,000 in service busi-

Martin Lee, head of the information technology com-Democratic party, said: "All the political parties support this. Who could say no to Donald Duck?" The government's gambit

financial market reforms, information technology to sug the government said it industry fast lane by creatbring substantial economic to wean the government off planned to seil shares in the ing a technology business park is more controversial. including the creation of from property, which in local underground. And to The HK\$13bn project had help lift the spirits of con- already attracted interest HK\$36.5bn in 1999-2000 are a sumers - and retailers - Mr from Sybase, Yahoo and International Business ment would be mailing Machines, the government stream. Less than 10 per said. However, Hong Kong is playing catch-up to Singapore and Taiwan. It is also not clear high technology is

where its talents lie. Mr Tsang may have tried to do everything at the same time, but critics feel he has not done enough. Local legislator Christine Loh criticised the government for not announcing any moves to increase competition in the economy in sectors such as real estate, which would help reduce its high costs.

The territory's steep recession made any moves to increase taxes and move to a consumption-based tax this vear a non-starter but Mr

said. In addition to a raft of to get Hong Kong into the Tsang gave few clear signals ing in that direction. Its unusual budget deficits of HK\$33bn this year and sign the government needs to diversify its revenue cent of the population pay the top rate of an effective 15 per cent. Many observers argue that Hong Kong needs to raise income taxes to reduce its dependence on real estate revenues.

> "This budget is all about managing sentiment, but damentals," said Andy Xie. an economist with Morgan Stanley Dean Witter. Hong Kong needs a new growth engine, Mr Xie said. Its reliance on a booming property spending climbing and the fat margins it made from processing China's trade are

decline in holdings of yen

A Hong Kong Monetary

Authority spokesman said

this did not reflect a particu-

lar view of market trends

but, given volatile markets,

it was deemed prudent to

keep a substantial holding of

US dollars which are used to

back the local currency.

and European currencies.

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THE INTERNATIONAL ADVERTISING ASSOCIATION (UK CHAPTER) Defending the freedom to advertise

Government to keep a third of equity raid shares the companies involved. of companies in which it has

The Hong Kong government

overseas.

the HK\$150bn (US\$19.4bn) worth of shares it bought in last year's controversial stock market intervention, as a long-term investment. It will also step up its holdings of international equities under new guidelines announced yesterday for managing its reserves.

Under the guidelines, return sufficient to maintain is to retain about a third of the real value of the funds, 20 per cent of the territory's HK\$910bn reserves are to be invested in equities, but the proportion invested in the Hong Kong market would be held to 5 per cent of total reserves. This means the government's local holdings will be sold down to

Donald Tsang, financial up to 10 years to complete the sale, which would be executed in an orderly manner that avoided market disruption.

Several investment banks have submitted proposals on how to conduct the sale which include the possibility of floating bond issues convertible into the shares, as well as share buy-backs by

which aim to achieve a secretary, said it could take HSBC, Hong Kong's largest company by market capitalisation, recently announced plans to seek shareholder authorisation for buybacks, and bankers say many other about blocks of governmentowned shares being sold to

possible suitors. The government would be a passive investor and would not intervene in the affairs

a stake, Mr Tsang said. Portfolio managers would track the Hang Seng index with half the total and be allowed "moderate deviation" from the index with the rest. Under the new guidelines,

holdings of international

equities would increase to 15 per cent of total reserves from 10 per cent at present. The guidelines also provide for an increase to 80 per cent

Malaysia yesterday secured Y107.7bn (\$890m) in yen part for building a dam,

main lender in its bid to Developing infrastructure recover from a severe eco- and the education sector is nomic downturn, T. J. Tan reports from Kuala Lumpur. fiscal stimulus package to The loans have repayment kickstart the economy. periods of between 25 and 40 years and interest rates of

nomic Co-operation Fund.

The funds will be used in part of a M\$12bn (US\$3.2bn)

Since the Asian crisis

Japan takes big step on birth pill A recent survey indicated

By Paul Abrahams and Naoko Nakamae in Tokyo

Japan took a huge step forward in licensing oral contraceptives yesterday when a health ministry committee for the first time accepted that the low-dose

ted to recommend the pill for approval in June. "From our understanding, the pill has been medically accepted. It appears to have been cleared on grounds of tive is awaiting approval. The champagne is in the

fridge, but I haven't opened it yet."

that only about 7 per cent of Japan's 30m women of childbearing age (about 2.1m) were interested in using the

Pricing has not been the US a month's supply costs Y500-Y2,000. That indicates an initial market of Y13.65bn-Y54.6bn (\$115m-\$450m). Western pharmaceutical

companies seeking licences only for menstrual disorders. for oral contraceptive drugs and have been awaiting include Schering of Ger- approval for contraceptive many, Organon, a subsidiary of Akzo Nobel; Wyeth-Ayerst, a subsidiary of American Home Products; Mon-Johnson & Johnson offshoot: traceptive.

Meiji Seika.

nearly nine years ago. High- and medium-dose pills are available, officially

Japanese loans

loans from Japan, reaffirm- refurbishing a power plant ing Tokyo as Malaysia's and expanding a university.

0.75 per cent to 1.7 per cent. This is the first time since 1994, when it borrowed of the new Kuala Lumpur low-interest Overseas Eco-

began in July 1997, Malaysia's borrowings from Japan have included Y74bn in commercial bank loans largely Y62bn for the construction guaranteed by the Japanese government and \$500m from International Airport, that the Ex-Im Bank. These funds Malaysia has borrowed are part of the \$5bn Malaysia money from Japan under its is seeking from Japan under the Mivazawa Plan to aid countries in the region.

o record

pill was safe. Following this ruling, the ministry of health and wel-And Street fare's central pharmaceutical affairs council is expec-

safety, efficacy, and environ-

lished with an increase in sexually transmitted diseases," said the chief executive of a drugs group in Japan whose oral contracep-

The main outstanding issues include prescribing guidelines and the wording of the accompanying literature. Drugs companies indicated they might be able to launch the pill as early as

August The market is unlikely to be large, at least initially. The cost of the pill will not be reimbursed and patients will need regular and expen-"No link has been estab- sive check-ups.

involved include Dai-Ichi Pharmaceutical, Yamanouchi, Teikoku Hormone, and

Japan remains the only member of the United decided, but in Europe and Nations where low-dose oral contraceptives are unavailable, despite submission of the necessary clinical data

use for 30 years. The ministry yesterday refused to explain or comment on why it had taken so santo, and Janssen, a long to approve the oral con-

Malaysia secures

The UK government is hoping President Bill Clinton can help break the impasse over the Northern Ireland peace process when the region's political leaders visit Washington this

Mo Mowlam, chief Northern Ireland minister in the unlikely to begin the transnew assembly - due next

The peace process has stalled over the insistence of the Ulster Unionist party, the biggest pro-British party in Northern Ireland, that the

Irish Republican Army must ons before Sinn Féin, its political wing, can take seats on the power sharing executive. Sinn Féin says IRA decommissioning is not a precondition to the party joining the executive under the peace accord.

Ireland's first minister and IIIP leader, and Gerry Adams, Sinn Féin president, rick's day celebrations at the White House on March 17.

"I would like to get March the parties first and see what they want because it is up to them to reach some kind of agreement," Ms Mowlam said. "But I don't want it stretching on too long. I would look towards the end of the month perhaps, but I have not given David Trimble, Northern up yet."

The non-sectarian Alliance the devolution on powers." party said Ms Mowlam should delay the transfer of powers until the political leaders return from Wash-

that there is no need to rush into devolution," said Sean Neeson, Alliance leader. "To ties must get round the table on their return and work out a formula which will enable the button to be pushed on

The UUP rejected a suggestion by Seamus Mallon. Northern Ireland's deputy first minister, that Sinn Péin

But Michael McGimpsey, a UUP security spokesman. executive within hours of a

that the jailed members of accord. Both have been Army, a violent and often on Roman Catholics.

faction-ridden military wing Socialist party, would now qualify for the early release programme because the group's ceasefire had held

tions opposed to the peace the Irish National Liberation linked to a series of attacks

. NEWS DIGEST

MONETARY POLICY

Central bank leaves interest rates unchanged

The Bank of England, the UK central bank, yesterday left interest rates on hold for the first time in six months, raising hopes that the fabled "soft landing" for the UK economy may be within reach. The decision caused a strong blip in sterling against the euro and the dollar, as City of London traders were forced to adjust their calculations for the future path of UK monetary policy. Analysts had generally expected the Bank's monetary policy committee to cut the official rate from 5.5 per cent. But the impending national Budget, to be announced on Tuesday – and signs of a slowdown without recession – may have lead the Bank to call a hait to further rate reductions. The decision was greeted with dismay by a cross-section of business opinion. The Confederation of British Industry, the employ ers' lobby, and the British Chambers of Commerce both condemned the Bank for ignoring UK manufacturers and exporters. Richard Adams and Alan Beattie, London Comment, Page 21; Currencies, Page 25

MILLENNIUM

Airports expect normal service

About 87 per cent of BAA's most critical UK airport systems have been made "year 2000 compatible", the company said yesterday. BAA operates 12 airports, including London Heathrow and Gatwick. Managers are on track to meet their March 1999 target and expect airports to operate "as usual" during the millennium holiday. Systems classed as critical include runway lighting and passenger security screening. Non-critical systems such as lifts, lighting and heating are not so prepared. About one-third of BAA systems needed work. Sathnam Sanghera, London

PENSIONS

Funding review launched

The government vesterday launched a wide-ranging review of the minimum funding requirement, a solvency standard which came into force less than two years ago. The bilities to their assets, has been heavily criticised by investment and pension fund professionals. It was designed to safeguard pension assets following the scan dal involving the Robert Maxwell pension funds. The requirement has been criticised for a lack of flexibility and for encouraging pension schemes to invest in bonds rather than higher yielding equities.

Stephen Timms, the new pensions minister, said the review, expected to take up to a year, would be "thorough and wide-ranging". The review is to consider scrapping requirement altogether.

One alternative could be for the industry to finance a fund of last resort. Jane Martinson, London

DIGITAL TELEVISION

Network to offer 'pay-for' films On Digital, the digital terrestrial television service owned by

Misery of London travel soon to be more expensive

By Deborah Hargreaves

Travelling on the London Underground railway is already a gruelling experi-ence thanks to notoriously late, dirty and crowded vate sector capital promised a renaissance but passengers discovered in the latest service announcement that their journeys will become even more expensive.

The network - known to dates back well into the 19th century and was one of the world's first metro systems. The government hoped it would become self-financing after 2000, when it is partially privatised. But ministers now admit they will need to continue subsidies.

Glenda Jackson, the Oscar-winning former actress who is now London's transport minister, told MPs that ticket prices will rise faster than inflation. This is in contrast to fares on the fully privatised national rail network, which are restricted to rises of one percentage point below infla-

A recent study of metro systems in four leading attract it are being re-formuduction is high enough to cities found London was the lated. second most expensive and least punctual after New investments providing thou-York, which operates round-the-clock. Tube trains stop running soon after mid-

The report by the London Research Centre - and its counterparts in Paris, Tokyo and New York - found the Tokvo metro best on punctuality although overcrowding was severe. Paris offered the cheapest fares because of a business levy to subsidise transport.

State-owned London Transport, which runs the Tube, said its practice for several years had been to raise fares by one percentage point above inflation. "This hasn't frightened people off," LT said. "The government money into the Tube over the next few years. It is reasonable that the fare-paying customer should contribute to the funding of these improvements."

But Stephen Glaister, professor of transport and infrastructure at Imperial College, London, said: "Higher Tube fares are not consonant policy which seeks to

encourage public transport The £7bn (\$11bn) partial privatisation of the Tube involves the sale of three separate 30-year concessions manage and maintain the infrastructure. Train operations will continue to be run by a publicly-owned London Underground.

"Our aim is to avoid pay ing further grant if possible but that is not a pre-requisite of concluding the publicprivate partnership," Ms Jackson said

The Four Cities Transport study said: "Given the age of London's metro system, considerable investment is needed....even to maintain the current level of service." | "mandatory requirement the Trades Union Congress. against employees where

Bof good news headlines attract absolutely new green-about inward invest-field manufacturing."

Marketing efforts are aimed at stimulating The source and nature of companies and encouraging direct investment has suppliers to follow their cuschanged markedly and, tomers to the UK. Follow-on though the UK continues to investment depends on the win a big share of the pie, original investors reaching the tactics required to the point at which their promake the cost of local pro-

Tactics change in the battle

to attract inward investment

Economic crisis in Asia and the launch of

the euro have helped transform the rules

of engagement. Kevin Brown reports

ment from Asia but the bat-

tle for big projects has

sands of jobs on a single site

is over. Most direct invest-

ment is now by companies acquiring existing capacity,

extending older plants or

establishing research sites

and corporate headquarters.

The focus of investment is

Europe and North America;

the proportion coming from

Japan, Korea and Australia

The launch of the euro in

January has put pressure on

the UK to make sure poten-

tial investors are not scared

off by currency complica-

Andrew Fraser, chief exec-

utive of the Invest in Britain

Bureau, the inward invest-

ment agency run by the For-

eign Office and the Depart-

ment of Trade and Industry,

says it is becoming harder to

attract big greenfield invest-

ments because most of the

might want to use the UK to

access the European market

"The truth is that the big

players are already here," he

have already done so.

has declined.

entered a new phase.

that point at different rates.

The era of big greenfield moving to continental investments providina

thousands of iobs on a site is over

But the strategy is having some success. Peugeot. Honda, Toyota and Nissan have announced expansions recently and Peugeot's suppliers are beginning to invest locally.

Establishing the source of inward investment is difficult because of distortions caused by investments chanbig manufacturers that nelled through the Netherlands Antilles, which counts as Dutch, but are mostly by Japanese and American com-

Investment from continenwith an integrated transport says. "In many industries, tal Europe is up from 39 per keep its place at the top of we have overcapacity in cent of the total to 40 per the investment league.

panies.

for which official figures are If the Dutch figures are

excluded. European invest-ment is rising fast - from 24 per cent of total stock in 1993 to 29 per cent in 1997. Investment from France, for exam ple, increased by 53 per cent between 1996 and 1997.

decline. Korea, once an important source, is rapidly disinvesting in the wake of economic crisis. Australia remains a big investor.

But the biggest threat to investment in the longer term might turn out to be exclusion from the euro Investors progress towards zone. Investors continue to see Britain as a low-cost gateway to the European Union's single market. But all the signs are that they want to see the government preparing for entry.

Officials are reluctant to discuss the long-term impact of an extended or permanent UK exclusion. They, like their ministerial bosses, see the subject as a political minefield that is best avoided.

Mr Fraser admits only that "there is no doubt that investors would welcome Britain being part of the euro, provided the chancellor's five economic tests [on convergence with the eurozone] are met". Officials clearly believe it would be easier to attract investment

from inside the euro-zone. The DTI has begun negotiating inward investment grants in euros for those companies that want them. But the message from investors appears to be that half measures may not be enough if Britain wants to

Cartton Communications and Granada Group, is to offer pay-per-view films and sport for the first time through a deal with a broadcasting consortium. S4C Digital Networks, a group partly owned by United News & Media, is to broadcast pay-per-view programmes on up to five of the digital terrestrial channels it controls from late this year. The deal establishes the first formal pay television link between the three biggest UK terrestrial television companies, which have started to work together in rivalling Sky Digital, the 140-channel pay service offered by British Sky Broadcasting, the satellite network in which Rupert Murdoch's media group is the biggest stakeholder.

Stephen Grabiner, chief executive of On Digital, announced the deal at a Financial Times conference in London. John Gapper, London

Mineworkers win ruling on 48-ho

By Robert Taylor, **Employment Editor**

Mining deputies working for RJB, the mining company, won their case in the High Court yesterday that they do not need to work more than 48 hours a week if they do not wish to do so under European Union working time regulations. The judge said the intro-

duction of a 48-hour maxi-

mum working week was a

which must apply to all contracts of employment" unless an employee agrees voluntarily to opt out of that legal obligation in writing. The company has been allowed to take its case to the Court of Appeal.

"This judgment is excellent news. It means that Britain's unions must employers cannot force remain vigilant to guard workers to put in more than 48 hours a week unless they have agreed," said John Monks, general secretary of Pressure . . . will be used

"The judge has given the red they have no union to call not impose a right or an oblicard to Britain's bullying

But Mr Monks also said the judgment would "not be the last word on the working time regulations". He added: 'Some employers will no doubt look for loopholes and against abuse. Our concern is that abuses will occur in non-union workplaces.

on." The judgment establishes that an employee who has not opted out of the right to work a 48-hour maximum week over a 17-week reference period, but has worked the maximum hours before the reference period has expired, may refuse to continue working until his average working hours over that period come down to the required level.

RJB had argued that the working time provision did gation as part of the employment contract.

MER/

The Institute of Directors said yesterday's judgment confirmed its worst fears that the working time directive would "impair the ability of employers to run their companies in the most productive and flexible way". Herbert Smith, a City of London law firm, said last night that the consequences the judgment were

American groups in running for gas market role

By Andrew Taylor, Utilities Corresponden

Two north American companies are among seven shortlisted to operate a new independent gas trading market designed to prevent price manipulation by ship-pers. They are QuickTrade, of Canada, and Altra Energy Technologies, the Houstonbased energy management

The move follows prob-

lems last year in balancing supply and demand, which led to big increases in UK gas shipment costs.

The other groups on the shortlist are: the Londonbased International Petroleum Exchange; Cap Gemini, the management consul-tants; Sweden's OM Energy Solutions, the operator of the Nordpool electricity market: Sybase of the UK and Energy Settlement and Information Services.

Callum McCarthy, the UK line network. Big customers a therm. The cost of balancenergy industry regulator. have complained that on-theproposes to remove the day mechanisms to balance monopoly held by Transco. supply and demand have the company spun out of the been been manipulated by former state monopoly that some shippers taking advan-tage of pipeline constraints controls the flexibility mechanism ensuring supply to boost prices. matches demand. Mr McCarthy says capac-

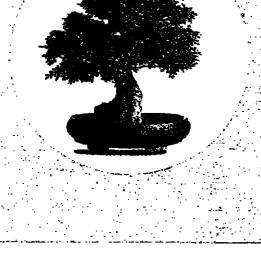
An independently manity problems last year at the aged screen-based market is St Fergus terminal, in to be introduced to reduce north-east Scotland, added the residual market balancan extra £22m (\$35m) to baling role of Transco, which ancing costs and raised forward gas prices by about 1p owns the national gas pipe-

ing supply and demand is currently spread equally among all shippers, some of which have complained that rivals have been taking advantage of the system to

boost their own revenue. The proposals would establish a secondary market for trading on-the-day capacity, more flexible trading rules and improved pricing that better reflects the costs of shipper imbalances.

month will be able to choose another power supplier other than their existing regional electricity company, the industry regulator, said yes-

The introduction of compe tition for all 24m domestic customers is to be completed by June. The regulator said by next month 20m small business and domestic customers would be able to change suppliers.



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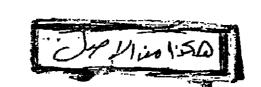
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MUSDAY MAP

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EXHIBITION Statens Museum for Kunst Henri Matisse: Four great from what were once the greatest private collections of

Family party takes a Danish pasting

Nigel Andrews finds incest and murder on the birthday menu Something is still rotten in low? - the gist is that papa papa. (More state-of-Denthe state of Denmark, But as sexually abused his children mark echoes.) Before sonny Danish filmmaker Thomas and the company, to its con- can recover he has been Vinterberg's darkly pungent sternation, is about to hear comedy Celebration proves of it.

already hurrah'd with a Cannes Special Jury Prize accused of being a one-joke and European Best Director movie. You build to the cataaward - there is good and clysm, enjoy it. then wind down from it. But the charge is unfair: the whole film is ant to live near, let alone in, about unravelling social fabbut very good for growing rics. The spirit of Luis Dis-

> CELEBRATION Thomas Vinterberg

BELOVED

Jonathan Demme

THE 39 STEPS Alfred Hitchcock

year-old papa, a wealthy creet Charm Bunuel, even of businessman, awaits his Jean The Maids Genet, moves through this house where sin-haunted masters The movie was shot on and mistresses (including, or video, which explains why it rather excluding, one suiresembles something you cided sister) are ministered to by a resentful kitchen staff. "Let's steal the guests" queasy look enhances the car keys!" proposes the cook queasy subject matter. at one point, while abovestairs a pretty waitress just given the heave-ho by a son and heir heaves a bowl of soup straight into his lap. Vinterberg specialises in

perfect for a story in which celebration turns to social hysterical straightfacedness. immolation and the birthday When not sure if we should baked meats furnish forth laugh or frown we find ourthe filial apocalypse. selves doing both. And when Briefly: the toast-proposwe assume that comedy and ing number one brother cautioning comprise the full (Ulrich Thomsen) has a tone-range we are startled by speech up his sleeve. And although, after tapping wineing brother starting to weep. glass with knife, he jokingly "Here's to the man who offers his father a choice of killed my sister - to a two - does he want the speech on green paper or yel-

thrown out of the front door. And before the guests can Celebration has been recover, helped by granny singing a sweetly dotty song about birds and woods, like a senior-citizen Ophelia, sonny is back with more frontline incest news.

Celebration was made as part of the "Dogma 95" programme. This Quixotic moviemaking treatise cosigned by Vinterberg, Lars Von Trier (*Breaking The* Waves) and other messianic Danes vows to forswear unreal or impure practices such as sets, artificial lighting, camera tripods and shooting scripts.

Cheap is good, cheaper is better. Hence the video; hence too the sense of a cast and crew reacting with nervous serendipity to a plot in which literally anything could happen (Vinterberg even wrote in a late role for a black actor-friend who plays a guest subjected to racial humiliation.) This is a party few would want to attend in real life but few could possibly resist from the safe, voyeurist distance of a movie scat.

What ever goes on in Hollywood's brain, assuming it has one? Beloved is a nearly three-hour film of a novel that can seem, in the best sense, like five minutes. Toni Morrison's Pulitzer Prize-winning book about an ex-slave visited by the ghost the sight of the speech-mak- of her dead daughter, disguised as a live flesh-andblood waif, is not an easy read. You could fall into its murderer," he blurts out stream-of-consciousness Hamlet-like to a Claudius prose and drown. But when



A party few would want to attend in real life: scene from Thomas Vinterberg's 'Celebration'

simple, gemlike, reverberant, as concentrated as a haiku. Very little "happens". Sethe the single mother (played by Oprah Winfrey in the film) is wooed and bedded by fellow ex-slave Paul D (Danny Glover). Relationships grow intricate, even sinister, with the arrival of Beloved, who becomes an instant soulmate with living sister Denver. The townsfolk

then get suspicious and well, that's about it. Yet watching this movie

you finish the book it seems directed by Jonathan ("I felt that Beloved was part be filled. The movie itself is Demme (The Silence Of The Lambs, Philadelphia) is like sitting in eternity's waiting room reading old copies of Civil Rights Illustrated. In interiors that would have even Rembrandt shouting for more light, the plot plods on and on. Everything that Morrison left inspirationally unsaid the film says. And Oprah Winfrey, the chat show diva cum Oscar nomi-

nee (The Color Purple) who

of the reason I was born") never sure whether to be plays Sethe, for the most part, as if frozen in the headlamps of high culture. Perhaps she was thrown

by being told she was too emotional in early filming by both Demme and Morrison. But Winfrey is no good at being anything else. Give her a tears-and-quiveringface aria and she provides the goods. Asked to suggest hidden or held-back feelings, has nursed her dream of the essence of this character, filming the book for 11 years she is a blank face waiting to

pious social history or American Gothic. A little more gingerbread on Sethe's woodframe hilltop house flashbacks are sulphurous melodrama as if from another movie (Mississippi Burning or Betrayed); and Beloved's first low, raspy

utterances are out of The

Elise's Denver, who seems to step straight from the book's subtly spooked pages. But even she, gratifyingly dominant in the last act, is sidelined by a glutinous finale in which Sethe's dead preacher mother-in-law is re-invoked in flashback, chanting "Love your heart!" over and over to a forestful of adoring black folk, while celestial choirs infest the soundtrack. Was Toni Morrison still in the cinema when this scene unspooled at the premiere? Or had she fled in terror?

After this, Alfred Hitchcock is just what the therapist ordered. The 39 Steps, in a restored print, starts a 16film Hitchcock season at the Barbican. The 1935 film is part thriller, part romantic comedy, all blithe assurance. Robert Donat's gentle charmer of a Hannay runs around the British Isles from Piccadilly to Scotland, with Madeleine Carroll handcuffed to him in one of the cinema's earliest advertisements for recreational bondage.

They run into sheep (who ate, we are told, the soundstage scenery), into "Mr Memory" tother entertainers have died at the Palladium but none so memorably), and Godfrev Tearle and Peggy Ashcroft both proving that Hitch could get perfectlymodulated screen performances even from theatrefolk. As for the hilarious scene where a fugitive Hannay gatecrashes a meeting hall and has to masquerade as guest speaker, Graham Greene stole it shamelessly for The Third Man.

Norwegian film visits all parts of the country from this week, though we must hope the standard is better than the previewed Schaga, would turn it into Norman a short-on-drama, long-on-Bates's place: the lynching artiness tale of delinquent teenagers. At the National Film Theatre, Burkina Faso director Idrissa Ouedraogo is celebrated. He made Tilai. Samba Traore and the superb Yaaba, films that paint Africa in subtly reso-The most laudably credi- nant colours: scenic, mythic ble character is Kimberley and psychological.

OBITUARY DUSTY SPRINGFIELD

bad news in putrefaction.

Compost heaps are unpleas-

things. Culture, like horticulture, can thrive on stimu-

Picture the scene. A coun-

try mansion is being con-

verged on by motorised

guests. One driver passes his brother on foot and offers a

ride, ordering his own kids

and disgruntled wife to walk

the rest of the way. (First of

many funny-nasty anti-social

acts.) Up at the house 60-

birthday banquet. It is one

would apologise for if show-

ing it as a home movie. The

Hand-held camerawork,

blobby colour and whirry

outlines - a seasick Munch

painting come to life - are

he will never forget.

lating decay.

Pop diva with a difference

Dusty Springfield, who has died at the age of 59, was a became dissatisfied with successful British soul London and the pop scene. singer of the 1960s who Her interest was in more ended up famous for being progressive music, in black famous. Quite why her music. She did not want a career took such a nosedive career hosting her own Satin the early 1970s is hard to urday-night TV show. More say - perhaps it was because of her maverick personality. Born Mary O'Brien, Dusty Springfield first came to the public notice singing in her brother Tom's folk-pop band, the Springfields: but her powerful, bluesy, "black" voice was too big for group singing and by 1963 she had gone solo and produced one of her biggest hits, "I only want to be with you".

For the next few years Dusty Springfield could do no wrong. With her extraordinary appearance - huge, panda-black mascarad eyes and gold bouffant hairstyle her mighty voice and her clever choice of material, she was a consistent winner of awards. She topped the charts in 1966 with the anthemic "You don't have to say you love me".

But Dusty Springfield importantly, she was bored with hiding her bisexuality.

She moved to the US, first to Memphis, where the successful album, Dusty in Memphis, spawned the hit "Son of a Preacher Man", then to Los Angeles, recording occasionally but mainly hanging out with female tennis players. She earned a status both as a gay icon and a campaigner for women's rights: but her musical career seemed to be over.

She was rescued from obscurity by the Pet Shop Boys who in the late 1980s asked her to sing on their hit "What have I done to deserve this?" They then wrote the theme for the movie Scandal for her. She returned to the UK, but ill health prevented her second career taking off.

unusual among the first genattention in an innocent age.

Not quite a tragic figure: Dusty Springfield

and reluctance to compromise closed doors. In the US her idiosyncrasies went unnoticed, but so did her talent. Springfield Antony Thorncroft

and her forthright opinions

Dusty Springfield was pioneered the music of leading figures such as Randy eration of British pop stars Newman and Carole King in having a truly outstand- and worked with such big ing voice. Her shrewdly chonames as Jerry Wexler, but sen hit songs are unforgetta-ble. But she came to public appeal to the broadest market. Dusty Springfield just avoided being a tragic figure but she hardly fulfilled her early promise.

MUSIC IN LOS ANGELES JOHN ADAMS'S 'NAIVE AND SENTIMENTAL MUSIC'

Fun, feel-good exhibitionism

orchestral work, Naive and Sentimental Music, turns out to be descriptive in a way its composer did not intend. For naive, read simplistic and formulaic; shallow of feeling.

Philharmonic under the work's dedicatee, Esa-Pekka Salonen, Adams declared his intention to write music that was, in the sense meant by Schiller, both naive (spontaneous) and sentimental (self-conscious, even self-referential). And as though Adams had not heard a note of Thomas Adés' music, to name only the most conspicuous naive composer among us, he cited the nearimpossibility of writing truly individual orchestral music at the end of the

Something approaching pandemonium greeted the piece at the end of its second performance, which reportedly went smoother than the premiere, and US critics accorded the work an openarmed welcome. Co-commissioned by four orchestras and already scheduled for performance by a fifth, Naive and Sentimental Music is set to make a significant incursion into the repertoire. The only challenge it will face in the short term is finding interpreters as persuasive as Salonen and executants as keen on the work as the on

form Los Angeles Philharmonic.

Adams's steps forward are clear and armingly like the phrase that intro-Mahler-sized orchestra with an experienced and skilful hand. His deployment In a programme note for the world if the three-movement piece were more clusive crescendo. premiere, given by the Los Angeles a grand mosaic than a single, sprawling canvas. Adams may still be riding

> Something approaching pandemonium greeted the piece at the end of the second performance

the Ostinato Express, but he's driving it less obsessively and to more pointed expressive ends. The very fact that any four bars taken from the 48-minute whole would be immediately identifiable as Adams speaks more to a consolidation of compositional voice than to artistic stasis.

Only the ideas themselves seem meagre. Impressively as Adams floats melodic cells between sections in the first movement, which shares the complete work's title, the material is hardly indelible or lasting in impact

audible. In his most ambitious score duces the Empress in Die Frau ohne since Harmoniclehre, he manipulates a Schatten, but nothing so transporting follows. Adams shakes it all up in a heady accumulation of off-kilter for sentimental, read manipulative and of smaller musical cells lends the work rhythms and polyrhythms, until it an air of heightened concentration, as rocks out in a tumultuous but incon-

strings that introduces the second movement ("Mother of the Man"), which the composer calls "a gloss on Busoni's Berceuse elegique.". delivers little more than an array of plangent sound-effects from plucked basses and harp, bowed vibraphone, bells and softly amplified acoustic guitar. Tugging and stabbing at long notes, and a Das Lied-like fade-out on an uncompleted melody, promote a dirge-like air. but music as elevating or touching as Adams wrote for the death of Klinghoffer never materialises.

The work ends with a bustling soundscape, "Chain to the Rhythm", that at its best boasts Petrushka-like colours, some expressive riffs and fanfares from brass. The Great Gate of Kiev meets Duke Ellington. It's fun. feel-good music, exhibitionist for the players and aerobic for Salonen. But if it delivers the promised "virtuoso surge of orchestral energy", it also leaves one surprisingly hungry.

Timothy Pfaff The flute's opening figure sounds dis-

INTERNATIONAL

AMSTERDAM

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Die Zauberflöte: by Mozart. Conducted by Hartmut Haenchen in a revival of Pierre Audi's staging co-directed by Saskla Boddeke; Mar 5, 8, 10

BERLIN **OPERA** Deutsche Oper Tel: 49-30-34384-01 Rise and Fall of the City of Mahagonny: by Kurt Weill,

libretto by Brecht. New staging by Günter Krämer, conducted by awrence Foster, with designs by Gottfried Pilz and Isabel Ines Glathar, Mar 4, 11

COPENHAGEN

collectors. Brings together works

Matisse's art, made by two Russians, Morosov and Schukin, and two Danes, Tetzen-Lund and Rump. The show was organised jointly with the Hermitage Museum in St. Petersburg, where it opened last year, to May 24

EDINBURGH EXHIBITION Scottish National Portrait Gallery

Tel: 44-131-624 6200 John Ruskin: exhibition exploring the influence of the Victorian critic and theorist. Includes drawings, watercolours and photographs; to Mar 7

GLASGOW OPERA Scottish Opera, Theatre Royal Tel: 44-141-332 9000

The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Aldan Lang. with designs by Ashley Martin-Davis; Mar 4, 6

LONDON **CONCERTS** Royal Festival Hall Tel: 44-171-960 4242 City of Birmingham Symphony Orchestra and Chorus: conducted by Simon Rattle in works by Lutoslawski, Takemitsu and Adams. With guitar soloist John Williams; Mar 6 London Philhamnonic Orchestra: conducted by José

Serebrier in a programme

including works by Stravinsky,

Plazzolla, De Falla and Rodrigo.

With guitar soloist Slava Grigoryan and castanets soloist Lucero Tena: Mar 5 Orchestra of the Age of Enlightenment: conducted by Mark Elder in works by Beethoven, Brahms and Liszt. With the Philhamonia Chorus, tenor Justin Lavender and mezzo-soprano Jane Irwin; Mar

EXHIBITIONS National Gallery Tel: 44-171-839 3321 Orazio Gentileschi at the Court of Charles I: first-ever retrospective of the 17th century Italian painter, friend to Caravaggio, and Court Painter to Charles I. includes a group of works from the Queen's House in Greenwich. sold after the king's execution and never seen together since; to May 23, then travelling to Bilbao

Queen's Gallery Tel: 44-171-839 1377 The King's Head: organised to coincide with the 350th anniversary of the regicide, this biographical exhibition brings together images of Charles I from all stages of his life. Including Van Dyck's triple portrait, prints, medals and books, the show concludes by focusing on the iconography of the king as martyr; to May 3

OPERA English National Opera, London Coliseum Tel: 44-171-632 8300 Parsifal: by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lehnhoff, with sets

and the second s

by Raimund Bauer and costumes by Andrea Schmidt-Futterer, Cast includes Kim Begley and Jonathan Summers; Mar 6

MUNICH

CONCERTS Philharmonie Gastelg Tel: 49-89-5481 8181 Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by R. Strauss and Couperin: Mar 4, 5 Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Mozart and Bruckner, With piano soloist Murray Perahia; Mar 10 Munich Philharmonic

Orchestra: conducted by Giantuioi Gelmetti in his own Prasanta Alma, and in Rossini's Petite Messe solennelle, Mar 9, 11 Philharmonie Gasteig

Tel: 49-89-5481 8181 BB King: performance by the blues guitarist; Mar 6 **OPERA**

Bayerische Staatsoper Tel: 49-89-2185 1920 www.staatstheater.bayem.de Katya Kabanova: by Janáček. Conducted by Paul Daniel in a staging by David Pountney, with sets by Stefanos Lazaridis and costumes by Marie Jeanne Lecca: Mar 5. 8

NAPLES EYHIRITION Museo di Capodimonte Mattia Preti between Rome, Naples and Malta: first of three special exhibitions marking the 300th anniversary of the death of Mattia Preti (1633-1699), the southern Italian painter known as 'Il Cavaliere Calabrese'. The show emphasises the influence of Caravaggio, and includes about 60 paintings and 30 drawings; from Mar 5 to Jun 11

NEW YORK EXHIBITION Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Picasso: Painter and Sculptor in Clay. Seen last year at London's Royal Academy, this show brings

together 175 ceramic works by

Picasso, mostly created between

OPERA New York City Opera, New York State Theater Tel: 1-212-870 5570 www.nvcopera.com Lizzie Borden: by Jack

1947 and 1962; to Jun 6

Beeson. New production conducted by George Manahan in a staging by Rhoda Levine, with Phyllis Pancella in the title role; Mar 6, 10 Madama Butterfly: by Puccini. Conducted by Guido Johannes Rumstadt in a staging by Mark Lamos first seen in November,

with sets by Michael Yeargan;

PARIS EXHIBITIONS

Mar 7, 11

Tel: 33-1-4049 4814 www.Musee-Orsay.tr Edward Burne-Jones: major retrospective of the British pre-Raphaelite painter, which forms the mainstay of the museum's 'saison anglais'; from Mar 4 to Jun 6 Gothic Revival: Architecture

and Decorative Arts of Victorian England. Display examining the fascination of mid-19th century artists with medieval society, with particular emphasis on the nascent Arts and Crafts movement: to Jun 6

OPERA Opéra National de Paris, Opéra Bastille Tel: 33-1-4473 1300 www.opera-de-paris.fr

Macbeth: by Verdi. Conducted by Gary Bertini in a staging by Phyllida Lloyd, with designs by Anthony Ward. Cast includes Jean-Philippe Latont and Maria Guleghina; Mar 5, 9

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696

www.opera-de-paris.fr La Clemenza di Tito: by Mozart. Conducted by Ivor Bolton in a staging by Willy Decker with designs by John MacFarlane. Cast includes Theo van der Walt and Christine Goerke; Mar 4, 7

SEATTLE OPERA Seattle Opera Tel: 1-206-389 7676 www.seattleopera.org Vanessa: by Samuel Barber. Conducted by Yves Abel in a staging by Sharon Ott. The title role is sung by Sheri Greenawald/Ashley Putnam; Mar 5. 6. 10

STOCKHOLM EXHIBITION

Moderna Museet Tel: 46-8-5195 5200 www.modemamuseet.se Aleksandr Rodchenko (1891-1956): major retrospective of the Russian Constructivist, who was one of the leaders of the post-revolutionary avant-garde; from Mar 6 to May 24

TV AND RADIO

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Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN

No end of work

An age-old fallacy is enjoying a renewed vogue. It is doing an immense amount of harm

A little book has appeared which deals with issues far more important than the euro, let alone the forthcoming British Budget. It is entitled Millennium Doom and is by Mauricio Rojas, a Swedish economic historian of Chilean origin (Social Market Foundation, £10). It demolishes the fallacy that because of technological advance or globalisation, or both, the

end of work is at hand. So far, the book has had almost no attention. On the other hand, populist tracts embodying this fallacy have been best-sellers in several countries - provoking Prof Roias into his counter-attack.

The writers who have roused Prof Rojas include the Germans Hans-Peter Martin and Harald Schumann, authors of Die Globalisierungsfalle (The Globalisation Trap), Göran Rosenberg, a Swedish journalist, and above all the French Viviane Forrester whose L'Horreur Economique (Economic Horror) asserts that "for the first time the mass of human beings is no ionger materially necessary". Even the US has spawned volumes such as Jeremy Rifkin's The End of Work, despite the creation of a record number of jobs

The fallacy is that economic development is inevitably leading to progressively fewer jobs. I was brought up to regard it as the "lump of labour fallacy" because it assumed that there was a fixed amount of work to be done. and if productivity increased, workers would simply be thrown on the

Prof Rojas has no difficulty in destroying this fallacy with a few simple statistics. Between 1980 and

1994 there were large increases in employment in almost all the leading industrial economies. The world's employed labour force grew by 630m people. China was creating over 15m net new jobs annually by the

The exception was the European Union. But even in Europe experience was far from uniform. In the two decades to 1995, employment decreased slightly in Finland, Spain and Sweden. But it increased by over 20 per cent in the Netherlands and Austria, and by over 15 per cent in Greece and Ireland. Far from the computer age leading to obless growth, the effect on employment of a 1 per cent rise in gross domestic

in the most advanced nations. There is, of course, a less optimistic way of looking at t. To say that the 'employment intensity" of growth has risen is another way of saying that productivity increases conventionally defined as output per person - have

slowed down. Indeed.

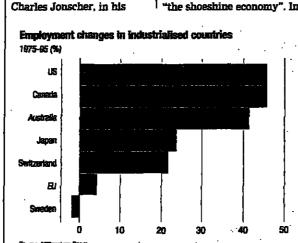
product has actually

increased in recent decades

authoritative and readable book on information technology, makes a great deal of the disappointing fallure of IT to bring about big increases in productivity (Wired Life, Bantam, £14.99). You can complain about inadequate productivity or about jobless growth, but not both together. Not that this is likely to deter authors of anti-capitalist

It is also quite untrue that emerging countries are taking all the jobs. In 1994 the entire exports of south, south-east and east Asia accounted for only 3.4 per cent of the GDP of developed countries. Affilient countries still accounted for 80 per cent of world industrial output, roughly the same as in 1980. Indeed the growth of south-east Asian "tigers" has helped expand the global market despite the current

financial crisis. There is another fallacy lurking in the background. This is that in countries with relatively unregulated labour markets, such as the US, the growth of employment has been in low-skilled service jobs. which is sometimes called "the shoeshine economy". In



fact, the most rapid job been in the highly skilled

category.

Precisely because of this for workers, pay differentials have widened, creating well-known problems of income distribution. But predictions of impoverishment, based on

an extrapolation of trends in the last 25 years, are unwarranted. In the course of economic development there have been alternating phases of both widening and narrowing income Prof Roias suggests two

reasons for the popularity of end-of-work fallacies. The first is that the collarse of the Communist economies in 1989 deprived the opponents of capitalism of their main alternative model. They have instead taken refuge in a hopeless pessimism. Second, he believes Europeans have simply projected their own shortcomings on to the globalised world economy rather than face up to the failures of their over-rigid forms of regulated

Prof Rojas's explanation of what has gone wrong in Europe is to be found in another volume. The Rise and Fall of the Swedish Model (also published by SMF). This model was only an extreme form of a widespread European development. It involved a big state, big organisations and big capital which worked during the long period of "Fordist" mass production.

However, it is less suited to "quality-intensive centres of production and innovation, founded on techno-scientific and cultural and artistic excellence". The current combination of "senility. slackness and complacency is characteristic of societies which have experienced long periods of success in the

I suspect that the roots of the end-of-work fallacy go deeper. It rears its head when I hear bar-room pundits ask: "What will people buy when every household has two or three cars and every family has two or three holidays a year?" Most people simply

do not have the imagination to appreciate the unlimited nature of human wants. let alone to realise that increased leisure - if it is oluntary – is itself a form

of economic growth.

The fallacy is as old as history. During every technological revolution there have been fears of jobless growth. The arrival of wheeled carts led to an outcry from the drivers of pack asses. And there was a well-documented outcry in Elizabethan England against the rise of sheep farming. In the Agricultural Revolution of the 18th century farm machinery was smashed: and the later displacement of

the hand loom by factory

production was seen as a huge job destroyer. Businessmen are ever more inclined to fall into the trap than trade unionists, nking it a sign of macho-realism to declare that high employment has gone forever. No amount of education seems proof against it. I have known distinguished physicists beginning discussions by asking "Where will the new iobs come from?" Even top-level economists such as John Maynard Keynes and his Cambridge sparring partner Denis Robertson

occasionally succumbed. The error does practical harm. Tony Blair, the British prime minister, is fighting for a reprieve for duty-free imports because of the jobs that are supposed to be involved. More seriously. politicians and officials back the arms trade because of their naive assumption that if workers at present

employed in making weapons lost their jobs they would have nowhere else to go. In other words, people are being killed and maimed and unsavoury regimes upheld because of elementary errors of logic.

Millennium Doom is not a perfect book. It avoids theoretical argument and does not explain how new iobs are created as old ones are destroyed. This does matter. For we need to be able to reply to the objector who asks: "Even if past alarms have proved wrong, how do I know that we are not entering a new era in which jobs really will disappear?" Prof Rojas provides the answer.

LETTERS TO THE EDITOR

Price US paid for economic fortune

Sir, The criticism that Tony Blair, the UK prime minister, received at the congress of European Socialists and Social Democrats in Milan does not seem to be misplaced. While some form of consensus must be reached between the members of the European Union on how to stimulate employment growth while remain-ing globally competitive, it

seems unlikely that this will

peacefully transpire through pillaging social programmes. The US-manufactured "culture of enterprise" Mr Blair is attempting to sell to the European socialist leaders has been lauded as heing viable response to Europe's 15m unemployed workers, and the heavy regulatory restrictions blamed for within the euro-zone. However, an American-style, *lais*-

will prove a terribly bitter pill to swallow in Europe. European leaders should consider the price the US has paid for her present economic fortune; for some it is not unlike a Pyrrhic victory. While the market is demanding greater "flexibility" from its workforce today, union membership has fallen to their lowest levels ever

recorded in the US. This vold

of representation has opened

programmes and other less

noticeable abuses such as

enforced overtime. I was part of AT&T's great purge of workers throughout the 1990s and was dismayed to witness six-day work weeks forced on telephone operators after tens of thousands had been ceremoniimpeding further growth ously declared redundant nationwide. While the US media continues to extol typsez-faire programme, while ical Americans' happy desire brutally successful on the to spend endless hours a

exists a large percentage who would gladly trade in this overtime for a modest reduction in the paychecks. Furthermore, I was shocked when I was

noil

informed by my European friends how attractive vacation benefits are outside of the US. At AT&T - as is the rule at other "model" US companies - we were required to work for four years before our vacation time was increased from two the door to serious infractions against wages, benefit weeks to three. I have even read in various reports that the typical US manufacturing worker spends nearly six weeks a year longer on the job than his European counterparts. In the face of this potential reality I suggest that the people of Europe reconsider exactly what type of "culture" Mr Blair has in

Robert Bridge 384 Chatham Drive, North American continent, week at their jobs, there PA 15220, US

Need for genuinely neutral EU presidency

From Mr David Metcalfe. Sir, Germany's predicament in the debate over European Union finances "Bonn warns over EU finance reforms", February 24) illustrates a major weakness of the EU's rotating

presidency. As president of the council, Germany is charged with ests, not promoting them. MA 02138, US

mediating in a disinterested interests of member states. But as a member state Germany has a huge financial stake in the mediated outcome.

Experience indicates that the dilemma is solved by sacrificing national inter-

The process and outcome of way between the competing EU negotiations would be enhanced by designing a genuinely neutral presi-

> David Metcalfe, program on negotiation. Harvard Law School,

The quote marks your film critic forgot

Sir, May I correct a minor grammatical error in the critique of the film Thin Red Line ("Great film, shame about the script", February

Your critic Nigel Andrews seems to have forgotten to put quotation marks around the word "Japs", unless that

is the word he himself uses to refer to the Japanese. Mr Andrews suggested that the German jury awarded this year's Golden Bear to this film because they did not understand English well. It is a pity that not many spectators understand Japanese either. For

late the words of a Japanese soldier towards the end of the film. The "Jap" repeated: "Is it you who killed my friends? Surrender! I don't want to kill you!"

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Mr Andrews' benefit, I trans-

PERSONAL VIEW CLYDE PRESTOWITZ The Japan that can say yes

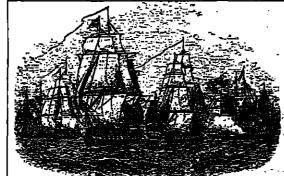
Japan is beginning to change at last. The agents of reform are the foreign companies which are coming to buy up ailing buying local firms

policymakers fret about Japan's deflasion, there is a little-recognised silver lin-

One example was the announcement last week that Robert Bosch, the German auto parts giant. had acquired a controlling interest in Zexel, a Japanese fuel injection specialist. Although little remarked upon, the acquisition constituted a milestone: it marked the first time since the beginning of the second world war that any Japanese auto-related company had come under foreign control.

Even more startling is the fact that Nissan, long a favoured national champion and darling of industrial policymakers, is openly on the block and may shortly wind up as part of Daimler-Chrysler. What 30 years of jawboning and threats by trade negotiators could not accomplish in terms of opening the Japanese auto market is being delivered by the consequences of seven years of recession and failing

financial institutions. Of perhaps even more significance is the fact that no one in Japan seems to mind or even notice. A dozen years ago when T. Boone Pickens, the US corporate raider, bought into Koito, a Tovota lighting specialist, and demanded seats on its board, the whole of the Toyota *keiretsu*, along with most of the rest of Japan, rose with one voice to say "no" to the threat of foreign penetration of what was seen as a key Japanese the same time, a book entitled The Japan That Can Say No became a runaway best-seller. A few years earlier, the announcement by Business Machines that it was moving a large part of its international staff to Tokyo elicited a spate of articles in the Japanese press darkly likening the arrival of IBM executives to the appearance of Commodore Perry's black ships in Tokyo bay in 1853 as well as to the arrival of General MacArthur to begin the occupation in 1945.



Against this background, what is happening in Japan today is dramatic. Delphi, the auto parts division of General Motors being spun off as in independent company, sold \$1bn worth of parts to the Japanese auto makers in 1998 and plans to raise that by 50 per cent, mainly by way of takeovers. Even more amazing is the story of Tenneco Automotive. Long a principal in the

year as a member of Keidanren. Japan's most influential business organisation. Nor is the story limited to automotive companies. GE Capital has been systematically buying up distressed but promising properties and companies all around Japan, while Merrill Lynch took over the entire retail force of

bruising negotiations over

access to Japan's automotive

market, it was accepted last

Yamaichi Securities. Indeed, a high-ranking Ministry of Finance official recently told me the ministry is practically begging foreign financial companies to buy into the Japanese mar-

For those who over many frustrating years have won-dered whether Japan ever would or even could change its cosy, exclusionary business ties and practices, this is proof that the leopard not only can, but is changing its spots. It is also the best hope for the turnaround of the Japanese economy that exasperated US Treasury and other world financial officials can have. Their increasingly shrill demands that Japan stimulate its economy with easier money and bigger fiscal deficits have nant tones have not so far in Washington, DC and a for-

frustration on both sides. Indeed, one top US Treasury official has been heard to say that Japan is finished as

a great economic power. At the same time, Japanese leaders who are already running the biggest budget deficits in world history without visible effect are asking "what more do they want us to do?" What neither side has ade-

quately understood is that the structure of Japan's economy is so distorted that the standard macro-measures are ineffective unless perhaps applied to extreme degrees that risk further damaging distortion. Ordinary Japanese citizens know it is no longer worthwhile to try to keep the old machine going with a bit more chewing gum and bailing wire. They will not regain confidence until it is clear that the old machine is being traded in for a new one. And that is exactly what the appearance of eager foreign investors and their integration into the inner sanctums of Japanese industry presages. The question now is whether it will continue and

snuffed out by a reassertion of traditional, nationalistic views and policies.
There have indeed been rumblings on the right from such figures as Shintaro Ishihara, conservative politician and novelist (co-author of The Japan That Can Say No) who argues that the whole economic crists is nothing more than an American plot to undermine Asia's heretofore rising influence. But these dissoyielded little beyond rising resonated with the Japanese

become permanent or be

to do so.

There has been a long-running debate as to whether the peculiarities of the Japanese economy that came to be characterised as Japan Inc. were cultural and thus largely immutable or matters of policy and convenience that might change to adjust to new circumstances. Although always questionable from the point of view

of long-run economic efficiency as well as international comity, Japan's adoption of policies that excluded foreign participation in its economy and emphasised national champions in key industries was understand able as part of its attempt to rebuild a national identity and reassert sovereignty in the aftermath of defeat. When these policies succeeded beyond all expectation, they were cloaked in the mantle of culture, thereby giving them an aura of uniqueness and perma-

If the country was doing well, it was more satisfying to ascribe the success to innate national virtues than to subsidies, tariffs and cosy business practices. It also helped to ward off foreign pressure for market opening if the pressure could be characterised as an attack on Japanese culture. No country, after all, can legitimately be asked to change

But as success has turned to stagnation in the 1990s. Japan has come to realise that its very success created new circumstances to which the old model could not effectively respond. In the face of that realisation, the "culture" argument has given way to common sense and Japan has begun to do the unthinkable. It has begun to say "yes" - yes to deregulation, yes to consumer needs, and even yes to foreign investment. The more Japan continues to say "yes", the better both it and the rest of the world will

The author is president of the Economic Strategic Institute mer US trade negotiator

he first local council elections in Iran public or mainstream policy have just delivered makers. Nor are they likely a thumping vote of Mohamad support for

Khatami, the country's reformist president. Mr Khatami can certainly pull in the crowds. More than 70 per cent of the 40m electorate voted for him in the 1997 presidential elections. And despite Iran's many economic ills – 20 per cent unemployment, inflation running at 40 per cent a year, and the oil and gas sector in disarray – an astonishing 60 per cent of the electorate turned out last Friday to vote. Although results are still incomplete, reformist candidates and their independent soulmates looked set to win well over 60 per

cent of the 200,000 local council seats. But popular support does not yet translate into national power for Mr Khatami; nor do local councils, for which there is no precedent, automatically mean economic devolution and the creation of jobs.

Many of those elected have no previous experience of local or any other kind of government. The elections, according to

one Iranian businessman. were "just another bone thrown to the people to keep them onet". "What authority are these councils going to have

beyond ruling over garbage disposal?" he asked. Indeed, the key levers in the country's power structure remain in the hands of clerics who wrote the 1980 constitution.

Paramount among these is the position of spiritual leader, whose incumbent. Ayatollah Ali Khamenei, was elected by fellow clerics in 1989, and whose authority overrides that of the presi dent in controlling the judiciary, internal security, intelligence, the revolutionary guards and the armed

It also includes a parliament dominated by conservatives, who jealously guard their fiscal and monetary

Even the 36-man "Expediency Council", possibly the most powerful of the unelected constitutional bodies. can only meet when sum-



Voting for change in Iran

Robin Allen asks whether President Khatami can transform the success of reformist

moned by Mr Khamenei, the

spiritual leader. Lurking in the shadows are the bonyad - the secre-tive "charitable foundations" owned by the state since the fall of the shah, which control many economic assets and which still wield enormous political clout. Last but not least, there are the "dark forces": thugs and renegades of the secret police, who have been roundly denounced - even by the intelligence ministry - for the brutal murders last November of dissident writers and nationalist politi-

The intelligence ministry's forced admission of responsibility for the killings, and the subsequent resignation of a minister, has done much to discredit Iran's militant conservatives. The success of reformists

in the local elections has therefore been viewed as a slap in the face for the traditionalists who are blamed for holding up political, social and economic reforms. The vote was also seen as a dress rehearsal for the more important parliamentary elections next year. The strong showing for Mr Khatami's supporters has led some analysts to predict that the conservatives might lose control of parliament.

And if Mr Khatami has his way, the new local councils will have fiscal and political authority to manage schools. housing, roads and small development projects without having to consult the

central government in Tehran. Given time, local councils could be the regional instruments for the de facto privatisation of the eco-

nomic assets held by the bonyad. Some of the local election results were rich in symbolism. In Tehran, Abdollah Nouri, Mr Khatami's first interior minister, received the largest number of votes in Tehran. Mr Nouri was impeached by the conservative parliament last June because he threatened their provincial power bases by removing hardline governors and officials.

Another reformist. Saeed Hagerian, came second. He was closely followed by Jameeleh Kadivar, wife of Ataoliah Mohajerani, the reformist Islamic guidance and culture minister, himself under fire from the conservatives.

In Isfahan, a key provincial capital, candidates running on the ticket of reformists groups took 80 per cent of the seats. Isfahan is the home base of Gholamhossein Karbaschi, who until last summer was the popular and effective mayor of Tehran, He quit the post after a hardjudiciary convicted him for fraud. The trial was widely condemned for being brazenly political

Women candidates, some 4,000 of the 327,000, fared disproportionately well in the local elections. In four towns they have swept the board. winning all the council

Voters in Ardekan, a rural town 1km north of Shiraz. elected Fatemeh Khatami Mr Khatami's sister and a 61-vear-old mother of six with no previous experience in politics.

Even the fact that free local elections were held was seen as another victory for Mr Khatami.

So too was the failure to weed out candidates not to the liking of conservatives from the hallot list. Perhaps traditionalists have seen the writing on the wall. Many of them know that if they contimue to block reformist legislation, they risk being thrown out by voters in next year's general elections.

Mr Khatami's government has already introduced civil freedoms unheard of five years ago.

Devolution of fiscal and political power to the provinces, so official thinking goes, will further undermine conservative control.

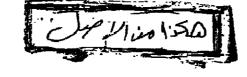
However, formidable obstacles remain to the president's devolution plans. The most formidable is the people's lack of experience at running their own affairs. Ahmad Azizi, chairman and managing director of the state Bank of Industry and Mines, says: "The people and the economy are inwardlooking. For two generations people have lived off the state's oil revenues."

The result, according to one economist, is "bureaucratic arthritis" - a widespread resistance to change "You have to get foreign expertise to open up the economy, create jobs and investment," says Dariush Fazlollahi, chief representa-

tive of Dresdner Bank's Tehran office. "No one in the government has this." Mr Khatami is lucky that he still commands wide spread national support. He is credited with opening up the political system and breaking down some vested

interests in Iran. He did succeed, for example, in persuading Mr Kha menei to retire the head of the revolutionary guards just after taking office. But his success so far pales in comparison to the task that

re-educating the country's bureaucrats as a prelude to modernising the economy.



E EDITOR

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FINANCIAL TIMES

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Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday March 4 1999

Money for nothing

Japan is testing the very limits of for inflation or money growth. monetary policy. Short-term could be powerful enough to pull interest rates yesterday hit zero, thanks to the intervention of the Bank of Japan. Yet even this desperate move will do little to ease the country's economic plight.

This is for two reasons. First, Japan's banks are in no position to make use of the extra liquidity in the system, as they are still in the midst of reform; the last thing they want to do is lend more. Second, investors' fears about the state of the Japanese government's finances mean that long-term interest rates are still

More important is the shift in economic policy that lies behind the move. At the beginning of this year, the Japanese authorities seemed resigned to the joint deflationary impact of a strong yen and high bond rates. On the February 16, however, they announced an abrupt change in policy, with the resumption of bond purchases by the Trust Fund Bureau, and a shift to shorter-term bond issues. The result was a sharp fall in the yen

and a small drop in bond yields. There is now growing speculation that the Bank, having utterly exhausted its conventional policy options, may be forced to consider buying government bonds outright in an attempt to reduce long-term interest rates. This policy, particularly if combined with a target

Japan out of recession. In mopping up the excess supply in the bond market, it would also make further bond-financed fiscal

action much easier to carry out. Such a move would be a big change of policy for the conservative Bank. It will only take place if central bank officials are convinced that it is the only way to avoid economic disaster.

ironically, there is a risk that the expansionary impact of past economic policies may prevent this vital step from taking place. There are signs - as yet very tentative - that the government's various fiscal packages are taking effect, and could prevent the economy from shrinking much further in the near future. If the Bank believes this to be the case. it will be very reluctant to engage in emergency monetary intervention.

But this would be dangerously short-sighted. If better economic news does appear, it is unlikely to last. The only expansionary influence in the Japanese economy is fiscal policy; once this stimulus disappears, towards the end of this year, any growth is likely to disappear with it.

The Japanese economy needs a combination of aggressive monetary policy, loose fiscal policy and financial sector reform. If any of these elements are miss ing. its prospects are bleak.

US tax debate

demarcation line between the not want a hard-won surplus to political right and left remains an enduring challenge in the postcold war world. But in the US, unlike Europe, there appears to be a clear and consistent dichotomy: Republicans and Democrats are doing battle on the tradi- from Korea, the US might be tional ground of tax cutting ver-

sus public spending. Yet the battle is curiously uneven. No matter that the state has been ideologically downsized even in the eyes of die hard great difficulty in their campaign this week to sell tax cuts to the American people. President Clinton appears closer to public opinion with his plan to spend budget surpluses on state-administered

pensions and healthcare. This anti-cut preference requires explaining in a country where suspicion of the state is endemic and resentment of taxa-

tion has strong historical roots. Clearly the buoyant condition of the economy is relevant. Aftertax incomes have risen significantly, especially for middleincome families. Lower down, the number for whom real incomes had been stagnant for years - the scare story of the mid-1990s - has

been shrinking perceptibly. Equally important, there is a fear that painfully accumulated budget surpluses might be squandered in populist tax giveaways. After nearly two decades in than ideology, will turn out to be which the US budget was consis- a sound insurance policy.

coherent tently in deficit. Americans do slip through their fingers. But how can this fiscal conservatism be reconciled with the readiness to see increased state spending?

With the lowest level of public spending in the OECD area apart expected to exemplify the conventional economic wisdom that demand for public goods such as healthcare and pensions inevitahiv increases as people become more affluent. Yet sympathy for leftists since the fall of the Soviet the president's spending plans Union. Republicans are having appears rather to reflect a desire for good financial housekeeping in addressing the great challenges of the 21st century, notably those arising from the ageing of the population.

This long-termism, which contrasts markedly with the head-insand European approach to more acute demographic pressure is admirable. Whether it ultimately finds expression in Mr Clinton's social security proposals is another matter. When the personal and corporate sectors of the US economy start to rebuild their balance sheets after the present boom, their shrinking deficits will be partly matched by a shrinking government surplus. And it would not be surprising if

current estimates of that surplus prove over-optimistic. If so, the American people's instinctive fiscal conservatism. sile defence. reflecting pragmatism rather

But the missile debate may

Unconstructive, less engaged

Stephen Fidler and James Kynge say that US-China relations are going from indifferent to bad

diplomacy this week is attempting to save a pillar of Bill Clinton's foreign policy: constructive

engagement with China. In what was billed as a significant foreign policy speech last week, Mr Clinton repeated that the US remains "strongly committed to principled and purpose ful engagement with China."

Trouble is, since his visit to China last year, he has precious little to show for it. Much to Americans' dismay, China has been cracking down on dissidents in the wake of the Asian financial crisis, while the environment for US companies in China has Worsened.

Now, all of a sudden (or so it seems) a new issue has emerged which could expose the fault lines between the two countries: missile defence.

The debate was set off by the launch last August of a North Korean missile over Japan. That missile shifted public and political opinion in Japan, arguably the US's most important Asian ally, towards a more serious consideration of a missile defence system protecting its territory.

It also led the US to jumpstart existing programmes for theatre missile defence (TMD) to protect US forces abroad (as well as to pour resources into a US national missile defence system aimed at protecting the US itself from missile attack).

Beijing is violently opposed to the introduction of a theatre missile shield anywhere in Asia, as an unwelcome shift in the balance of force there. But it is the prospect of a US-furnished missile shield for Taiwan, which it considers a renegade province, which has provoked the most extreme reaction.

A decision to deploy such a shield would be regarded in unambiguous terms by Beijing as the start of the dreaded policy of "containment" - the opposite of "constructive engagement" and the policy pursued by the US to of this aim will necessarily mean China in the 1950s and 1960s. It would kill any remaining hope for a US-China "strategic partnership", and raise the temperature in relations across the Taiwan strait. Engagement would risk

turning into enduring hostility. Beijing fears that a missile shield for Taiwan would encourage the island to declare independence because it would neutralise Beijing's threat to use force in that event James Mulvenon of Rand Corporation, says TMD for Taiwan raises two main concerns for China. It would undermine China's only credible military an invasion is militarily impossible, and it would foster much greater co-operation between Taiwan and the Pentagon.

Visiting Beijing this week. Madeleine Albright, the US secretary of state. sought to avoid con-When Chinese officials raised the question of the missile shield, "I replied that instead of worrying about a decision that has not been made to deploy defensive technologies that do not yet exist, China should focus its energies on the real source of the problem - the proliferation of missiles"

Mrs Albright said China should first use its influence to urge North Korea to restrain from missile development and testing. and to use its dialogue with Taiwan to reduce the perceived need for both missiles and mis-

have brought to the surface a fundamental divergence of interbeen almost deliberately submerged as the administration has sought to justify its engagement

COMMENT & ANALYSIS

with China. Most military analysts and China watchers believe China's medium-term strategic ambition is to become the most powerful nation in Asia. The achievement unseating the region's current military and diplomatic boss -

Military experts say that the pattern of China's arms acquisitions and deployment shows it is preparing primarily for two theatres of operation, Taiwan and the South China Sea.

Of the two, the South China Sea - which China claims virtually in its entirety - has the greater strategic significance. About 15 per cent of the world's cross-border trade passes through the sea every year. If China controlled these sea lanes, it would threat against Taiwan, given that have a potential stranglehold Paul Wolfowitz and Richard didn't want it to work". over not only commercial but also military traffic through the heart of Asia.

China's recent construction of structures on a reef near the Philippines shows that Beijing has no intention of letting go of its frontation on these matters. claim to the Spratly islands several hundred dispersed islands and reefs scattered through the sea, the analysts say. Legally, too, Beijing is preparing to exercise sovereignty. In 1992, it promulgated a law that allows its navy to "evict foreign naval vessels", and rules that foreign navy ships must apply for permission

before crossing the sea. The Clinton administration would not be the first to try to conduct China policy without airing fundamental issues publicly. In a new book about US-China relations. About Face (Knopf. 230). James Mann of the Los Angeles Times writes that US administrations have conducted

China policy secretively and in a personalised manner since Henry Kissinger opened up relations during a historic visit to Beijing in 1971 as Richard Nixon's national security adviser.

But in the long run, argues Mr Mann, policy cannot be hidden from the public and carried out exclusively by elites, In particular, conducting secret diplomacy has become more difficult since the Tiananmen Square crackdown in 1989 exposed another fundamental fault-line: attitudes to human rights.

Changes in this secret diplomacy may be on the horizon. There are two reasons for thinking that the changes will see a hardening of US attitudes and, hence, a greater likelihood of confrontation. First, China is likely to be an important issue in the 2000 presidential election - as it has been in every election Perle. "constructive engagement" may prove a policy on which his likely challenger, Al Gore, the vice-president, is vulnerable.

Mr Gore has shown signs anyway that he may talk tougher on foreign policy than Mr Clinton. So to cover Mr Gore's potential vulnerability, a hardening of administration attitudes toward China over the next 18 months may be on the cards.

Second. Congress seems less likely than ever to allow the administration a free hand with China policy - both from the left, where Democrats are pressing hard on human rights concerns, to the right, where security issues dominate.

Part of the reason for that is the legacy of mistrust that remains between the majority party and the White House after the impeachment trial. That mistrust has its special Chinese

A special report from a House panel led by Christopher Cox, the California Republican, has concluded that US national security has been endangered by China's licit and illicit attempts to gain access to US technology with mil-

itary applications. Though that bipartisan report has not been declassified yet, some Republicans have concluded that the Clinton administration has played fast and loose with the system of controls on transfers of so-called dual use technology - commercial technology with potential military

Those suspicions have centred on, but are not limited to, the nology that have been derived from the launches of US satellites on Chinese rockets.

According to one Republican aide on Capitol Hill, "the system since 1989. With the likely Repub- to prevent technology transfers high-technology companies. lican candidate George Bush to China during satellite assembling a group of foreign launches wasn't working, not policy advisers with relatively because it couldn't work but on US high-technology exports is hawkish reputations, such as because they [the administration]

the administration seemed to be Hughes satellite on a Chinese looking the other way. Was it to preserve the policy of engagement with China? Or to preserve a business-friendly environment for US companies operating the board. US and Chinese offi-

Both motives, they admit, would have been potentially valid public interest arguments. It is a third Republican suspicion that could be the most damaging: that the administration was influenced by Chinese campaign finance contributions.

Democratic campaign coffers benefited ahead of the 1996 elections from contributions both from prominent satellite manufacturers such as Loral and from Asian businessmen - though much of their money was

returned as illegal. The Cox committee's efforts to examine the link between campaign finance and technology

transfers went nowhere - one reason it was able to preserve a bipartisan consensus in its findings. Many potential witnesses have either fled the country or took the fifth amendment right to tions under a Justice Department investigation deterred the Cox committee from offering immunity from prosecution for other

Administration officials react angrily to claims they were influenced by campaign finance considerations. They point out that senior Republicans were pressing the administration to relax export controls in the early 1990s; that countries such as China from sources other than the US; and that the decline of military spending in the US means that technology exports are necessary to the continuing success of US

Whatever the truth, though, a tightening of the control regime almost certain to result. The rejection of an export licence last Republicans then question why month for the launching of a rocket has provided yet another bone of contention between Beijing and Washington. With difficulties almost across

cials are hoping for a breakthrough in the one area where it still is possible: China's accession to the World Trade Organisation. That could cap a visit to Washington next month by Zhu Rongji, the Chinese premier and economic supremo. Given China's economic difficulties, getting an agreement that will satisfy US business and farm interests and other members of the WTO will be far from easy.

And even if an accord is reached, the unusual warmth between the two countries that was demonstrated during Mr Clinton's visit last year is unlikely to return for some time to come.

Euro-conduct

The European Commission, the ple, they will be forbidden from executive arm of the European Union, had a narrow squeak in January, when it faced a censure motion in the European parliament. The charges against it were of lax management, leading to cases of outright fraud, and of cronvism in personnel appointments.

It survived the vote thanks largely to promises of a thorough investigation of the allegations, and the drafting of new codes of conduct for commissioners and their personal staffs, as well as for the rest of their bureaucracy. The investigation is due to be

concluded by mid-month. But yesterday Jacques Santer, the commission president, conceded for the first time that if the actions of individual commissioners were "called into question" by the report, they should resign. That is certainly correct, if a belated admission. Hitherto the 20-member body has hidden behind an exaggerated concept of

collegiality, according to which they would all quit, or none of them. Far from reinforcing public confidence in the body, it allows the suspicion to flourish that incompetent commissioners can hide behind their collective responsibility.

Unfortunately, the commissioners failed to agree yesterday on the details of their codes of conthe broad principles. For exam-transparency and accountability. executive.

holding any public office apart from their job in Brussels, although they can hold party political posts. Nor may they engage in any other professional activity, paid or unpaid; writing paid articles or delivering lectures for fees.

The first prohibition is a sensible attempt to prevent any conflict of interest. The second is rather to ensure propriety in their conduct, which really should scarcely need to be spelt out for such high-level and wellnaid people.

What is missing, however, is a clear definition of the size and role of the commissioners' personal offices. Here lies the nub of nationalistic interference in personnel appointments in Brussels. These cabinets have swollen over the years, and spend far too much of their time seeking to ensure that compatriots are appointed to key jobs. They need to be kept deliberately small, and multi-national. On that the Com-

missioners failed to agree. Mr Santer is proposing to recommend new rules on the cabinets to his successor as president. Let us hope that he does so in order to have stricter rules than he could get through his own commission. But no amount of codes and regulations can ensure good behaviour and performance. The best regulator is a culture of

Tsang budgets on promotion

Donald Tsang's flashy bow ties have for a long time set him apart from the rather more sober sartorial inclinations of other Hong Kong financial secretaries but yesterday's budget speech was something of a departure from tradition in another sense

Given the territory's laissez-faire stance, it's quite unusual for financial secretaries to use a budget speech to trumpet their success in luring a company like Disneyworld to

Hona Kona. No doubt Disney will cheer up the depressed economic mood, as will yesterday's 10 per cent tax rebate. But Tsang's speech also looked like a pitch to boost public support for himself. Anson Chan, Hong Kong's chief secretary and top civil servant, is expected to retire next year, and Tsang is one of the hottest

favourites to succeed her. If he does it would be something of a coup for a man who around the time of Hong Kong's handover to China survived intense speculation he would be dropped from

His pronounced free market views were more than a little out of line with the somewhat dirigiste inclinations of Tung Chee-hwa, Hong Kong's chief

Strangely, Tsang's speech incorporated some of Tung's views on the need to upgrade Hong Kong's high-tech

OBSERVER

Perhaps the recession has helped modify Tsang's philosophy. Whatever, his performance yesterday was that of a team player, despite the individualistic neckwear.

Lewinsky at large

Watch out! Monica's about! Soon after Andrew Morton's tome about Monica Lewinsky hits the streets tomorrow, the fun-loving former White House intern will wing her way across the Atlantic to Britain for a two-week UK

publicity blitz. Lewinsky's advisers have concluded the British trio will give Uncle Sam a welcome break from the raven-haired temptress. They reckon that while the American public's heartily sick of her, and might be tempted to ram the wretched book down her throat, she'll prove a really big hit

in the UK. So the book signing and publicity in the US will be handled by Morton himself, who's regarded as a heavyweight author following his account of the breakdown of Princess Diana's marriage to the Prince of

Wales. In Britain, on the other hand, there are far too many bitterly iealous ioumalists who can remember Morton's much less

glamorous days on the country's infamous tabloid rag, the Daily

Spinning wheel

Let's face it, spin doctoring has never been the European Commission's strong point - a fact that's become abundantly clear during the recent crises over fraud, nepotism and bad

management. So it comes as little surprise to learn that Peter Guilford, former spokesman for Leon Brittan, and Caroline Schickel, an official from the Commission's personnel directorate, have been seconded to Jacques Santer's office, which is still reeling from the victous drubbing it received at the hands of the European Parliament in

They're on hand to sharpen up the message, although the ever modest Guilford is at pains to insist he and Schickel are in no way media manipulators. Instead, they'll help chum out the many mountains of material that the fraud crisis has generated and in the meantime - "put a bit of bite" into the Commission's

response. However a colleague helpfully chooses to put an altogether different spin on things. "They were brought in to get some of the good messages about the commission to the outside world," the informant chuckles to

Observer. "But this is an uphill task as

people at the top are administrators and technocrats and don't understand politics." Looks like Guilford will have to get a grip.

Toilet trial When it comes to the the legal profession, life rarely imitates art. The London offices of lawyers Osborne Clarke have tried to recreate the angst-ridden world of US TV series Ally McBeal. The firm agreed to establish a unisex bathroom for the day as part of a trial for the BBC's Nice Work

programme. Observer would have expected the air to be filled with the sound of short-skirted, stick-thin solicitors agonising about their lifestyles and love traumas. Not a bit of it, says managing partner Leslie Perrin. Although his firm is, of course, full of "impossibly beautiful people who never lose a case", he confesses staff were lacking in enthuslasm for the

experiment. They're infinitely more likely to pore over great big legal files in the restroom than to dissect office romances. And he lets slip that the FT "has visited more law firm loos than any other

publication". Designers have proposed that unisex loos be built into the company's new offices in Bristol. but Perrin seems to be convinced that the idea will be "universally unpopular". So that's that one down the pan.

Financial Times

100 years ago Truth Will Out

When a company wishes to avoid publicity or notoriety it generally attempts to achieve its object by withholding copies of its reports and other documents from the Press. The tactic often fails, just as the method of the nervous ostrich failed, provoking the more attention by reason of its grotesque attitude. When the company finds its efforts frustrated, it frequently gets very cross under the influence of hostile criticism, and it occasionally acts with a lack of discretion arising from ruffled temper.

50 years ago

The seriousness of the political and particularly the economic condition of Burma to-day cannot be over-stressed. It is hardly too strong to say that, with her economy virtually at a standstill. Burma is approaching bankruptcy. In such circumstances foreign assistance through loans, as has been mooted recently. seems inevitable. And there can be few who, seeing the Communist threat to Burma, would deny the wisdom of such measures speedily taken.



FINANCIAL TIMES

THURSDAY MARCH 4 1999



THE LEX COLUMN

Golden retriever

Goldman Sachs deserves credit for grabbing the bull market by the horns. With share prices riding high again, a new top management structure in place and a good first quarter under its belt, the investment bank is right to relaunch its aborted initial public offering with all possible speed. The issue has already caused enough dissension in the firm and taken up too much senior management time. Meanwhile, the securities industry is changing ever more rapidly. Take, for example, the explosive growth in internet share trading over the past six months - an area in which Goldman and most of its peers are floundering for a

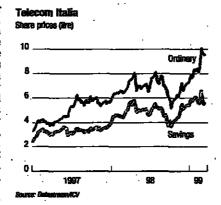
The stock market's revival has also helped Goldman's valuation rebound to levels its 200-odd partners can live with. The dreams of \$30bn are gone, but so is the talk of \$16bn at the height of last year's financial crisis. Shares in Morgan Stanley and Merrill Lynch have doubled since October, leaving them trading on 17-18 times prospective earnings. Analysts suggest a reasonable discount for Goldman would be 14 times, giving a rough valuation of \$20bn-\$23bn.

That may be slightly optimistic. Goldman's poor fourth-quarter results tors presumably knew the risks they were reinforced its dependence on volatile trading income compared with its more balanced rivals. But whatever the final price - to be set in May - and whatever the market does meanwhile, Goldman knows it cannot back down again.

Telecom Italia/Olivetti

Savings shareholders often get a raw deal in Italy. Because they do not carry votes, they can be pushed around. That is the risk facing Telecom Italia's savings shareholders. If Olivetti wins its audacious bid for Telecom, the savings shareholders could be forced to accept non-voting stock in a highly leveraged

acquisition vehicle. Without details of how such a swap would work, it is impossible to know whether savings shareholders would suffer. Conceivably, they could be delighted. But they are clearly not being treated in the same way as ordinary shareholders. For a start, they are not being offered an exit, let alone at a premium to the previous price. And non-voting stock in Oli-



vetti's acquisition shell could well pay lower dividends than those they are used to. Moreover, savings shareholders will not get a choice in the matter.

From an Anglo-Saxon perspective, all this looks to be rather a poor show. But do not shed too many tears. Precisely because savings shares do not carry votes, they trade at a discount to ordinary shares. That means savings shareholders bought in on the cheap; grown-up invesrunning. In any case, many shareholders hold both classes of stock. That gives the savings shareholders some protection. After all, Olivetti would not want to treat them so badly that voting shareholders often the same people - reject its offer. The share prices quoted in the chart above are incorrectly stated in lire rather

Heineken

Only those drunk on some of Heineken's export strength beer could have expected it to forecast anything other than slower growth this year. A 29 per cent increase in net profits is obviously laudable, but unrepeatable too. Indeed, the Dutch group will do well to achieve half that rate this year. Such a slowdown was already factored into forecasts, so why the 5 per cent share price fall? The simple answer is that the stock was still sobering up after outperforming its global peers by 70 per cent last year, sending its 1998 price/earnings ratio as high as 40. The shares are now more than 20 per

cent off their peak, and back in justifiable territory. Although growth in the world beer market has slowed to less than 2 per cent. Heineken has capitalised on industry consolidation and a switch to higher priced brands. In recent years, it has taken market share in France, Italy and Poland to a third or more, rationalised production and pushed up profit margins. More can be squeezed out in 1999, but momentum is slowing.

So the time is ripe for the next acquisition. Heineken has targeted Spain, where Diageo might be prepared to sell Cruzcampo. At twice sales this would cost about €800m - a snip for a group with little debt and a market value above €14bn. Heineken remains among the world's most expensive drinks companies on an enterprise value 12 times 1999 earnings before interest, tax, depreciation and amortisation, And it deserves to be.

CK Chow, GKN chief executive, has every right to purr. Compared with its peers, GKN is a class act. As yesterday's results showed, lifting its shares 7 per cent. Mr Chow managed the business through the annus horribilis of 1998 with admirable cool. Pre-exceptional earnings rose by more than 17 per cent; sales growth was in double digits too. Such numbers give credibility to Mr Chow's attempts to portray GKN as more of a growth stock than a sorry cyclical.

Maintaining this in 1999 will be tough, given the slowing European car market. But strong performances in the non-cyclical helicopter business and the remarkable Chep pallets operation (where profits and sales both increased by more than 30 per cent) bode well for another year of near 20 per cent earnings growth. A new Mr 20 Per Cent, perhaps, now Rentokil's Sir Clive Thompson has finally faltered.

For lesser engineers, the outlook is not so bright. Although interest rates have fallen two percentage points since late 1998, they are on hold for now. Sterling has gained 5 per cent on the euro since its launch and demand for industrial products remains patchy. Not surprisingly, January's bid-inspired rallies look short-lived. The sector may be valued at the same relative low as 1992, but betting on cheerful news does not seem wise yet.

Disney theme park could help Hong Kong economy

Hong Kong yesterday launched a series of bold measures to improve its competitiveness, regain ground lost to Singapore and boost its flag-

Donald Tsang, financial secretary, confirmed the government was close to a deal to host a Walt Disney theme park and unveiled a HK\$13bn (\$1.7bn) "cyberport" project to help Hong Kong become an international information services hub. The government planned to raise HK\$30bn through a flotation of a stake in the territory's mass transit railway.

We should see the present crisis as an opportunity to remove structural obstacles and seek to maximise the strategic advantage of Hong Kong's geographical location," Mr Tsang said, as he presented the terri-

tory's latest budget Analysts said the budget contained bold measures, but it was marked by a shift from Hong Kong's

industrial and financial promotion. The government would move to demutualise, merge and list its stock and futures exchanges, a route

already taken by Singapore. Mr Tsang also said Hong Kong would develop its local debt market by listing government exchange fund notes on the stock exchange, paving the way for the eventual listing and trading of corporate bonds.

"Our mission to excel as a financial centre must prevail," he said. Reform of the exchanges would allow them to raise additional capital, which would help pay for new technology. Hong Kong has become the front

runner in the race among Chinese cities to host a Disney theme park. The park would be built on Lantau, the island base of the territory's new airport, and could form a centreplece for a revived tourism industry. which today accounts for 4 per cent of regional gross domestic product. Announcing several other tourism initiatives, he said the park's first traditionally laissez-faire approach phase could open in 2005. A green-

a more Singapore-style form of field investment by Disney, which could cost several billion dollars in local and US spending, would mark a breakthrough for the US company. and a launch point for other attractions in mainland China.

Judson Green, new chairman of

the group's revamped attractions operations, and Robert Iger, named last week to run a newly formed international division, have detailed briefs to expand Disney's non-US revenues, which currently account for 20 per cent of the group total. Mr Tsang described last year's 5.1

per cent fall in gross domestic prod-uct as "the worst economic setback our generation has ever seen", and handed out a 10 per cent tax rebate to help ease the pain on consumers. This year would still see only mod-

est growth of around 0.5 per cent, he said. But the budget deficit would rise to HK\$36.5bn or 2.8 per cent of GDP in the financial year starting in April from HK\$32.3bn in the current

J. 10.

Finland seeks to implement pact between EU and Russia

and Andrew Jack in Moscov

Finland plans to use its presidency of the European Union this year to implement a new co-operation pact between the EU and Russia.

The pact, covering up to 60 separate areas of co-operation from improved road links to economic partnership projects, is expected to be adopted at the EU summit in Cologne in June.

Paavo Lipponen, the Finnish prime minister, said it would signal the start of a new strategy towards Russia by the EU.

"The basic aim is to integrate Rusmarket economy. This is the strategic goal," said Mr Lipponen.

He said he had discussed practical measures involved in the pact at a meeting with Yevgeny Primakov, his Russian opposite number, in St Petersburg last

ronmental clean-up operations in only EU state that borders Russia.

Finnish officials said other topics included under the programme would be: a Russian gas pipeline to southern Europe, a gas link to Finland, a highway between Moscow and Helsinki, and co-operation over nuclear safety.

The initiative will be implemented during Finland's presidency, which starts in July, as part of the so-called

"Northern Dimension". This is a project based around the idea of tighter long-term co-operation between Russia, the Baltic Sea basin and Nordic states.

"We are approaching a concrete sia into Europe as a democracy and stage in creating the Northern Dimension, which will lead to a new agenda with Russia covering many different projects," said Mr Lippo-

> The approach, first developed at bilateral treaty in 1992, has already led to improved links between Fin-

Arl Heikkinen, head of the Northern Dimension programme, said: "It is a political idea based on the concept of growing inter-dependence between the EU and Russia, especially since the membership of Norway, Finland and Sweden. By 2020. we estimate that Europe will import 70 per cent of its natural gas and Russia has reserves of strategic

Mr Heikkinen said the Finns believed there was already sufficient funding and that instead the emphasis would be on "intensifying existing mechanisms'

A meeting with Russian officials is scheduled to take place at the Finnish embassy in Moscow at the end of the month to discuss possible topics, and also additional ideas from the

Given the potential risk of tenthe time of the Finnish-Russian sions between Russia's regions and the federal government, Mr Heikkinen stressed that all the initiatives The partnership is expected to land and the Russian regions along would nonetheless be discussed with include increased EU aid for enviits 1,300km border - Finland is the officials in Moscow.

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eat of the German parliament from April. The dome, designed by UK

architect Norman Foster, was unveiled to the press in Berlin yesterday

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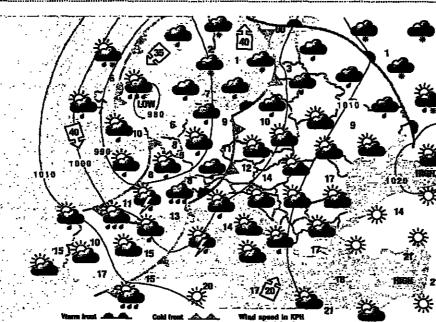
Europe today

News

North-western and central Europe, the northern Iberian Peninsula and southern Scandinavia will be windy with showers or longer periods of rain. Heavy rain is likely, with a risk of thunder. The eastern Mediterranean will be warm and surmy with only the odd shower over Greece. The central Mediterranean will see heavy showers pushing Europe will stay dry and warm. North-east Europe and northern Scandinavia will be cold with out-

Five-day forecast ery into the weekend with cold Low Countries, Germany and

Western Europe will remain show winds extending into France, the northern Italy. Northern Spain will returns, but it will bring heavy rain through Sunday and into Monday. Eastern Europe will become



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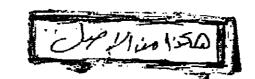
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FINANCIAL TIMES COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1999

THURSDAY MARCH 4 1999

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INSIDE

Tel Aviv market defies turbulence The Tel Aviv stock exchange has defied the critics. With elections in May, a stalemate in Israeli-Palestinian peace negotiations and fighting in south Lebanon, one might expect the markets to be jumpy. But in the past two weeks the index has risen sharply. Page 36

Greece poised for bank self-off



The battle for market share in Greece's banking sector is heating up, with the govemment set to sell 51 per cent of lonian Bank. Two aggressive local banks, EFG Eurobank and Piraeus Bank, are the frontrunners to buy lonian, headed by Haris Stamatopoulos (left). Alpha Credit Bank, the biggest private Greek bank, is

Interest rate doubts weigh on shares Uncertainty over the direction of US and eurozone Interest rates weighed on European shares. Most equity investors stayed on the sidelines in anticipation of today's European Central Bank meeting and Friday's release of US non-farm payrolls. Page 23

also among shortlisted bidders. Page 16

Australian wool industry in crisis Australia's wool industry is in trouble. Exports have crashed, real wool prices are at their lowest ever and stocks of wool yarns remain stubbornly high in Japan and Europe. More than 15 per cent of producers are bankrupt and the number of specialist wool producers fell by half in the first seven years of this decade. Page 26

Headhunter in performance fee plan Martin Armstrong, who runs a London-based executive search company, says performancerelated pay for managers should apply to the headhunters who find them. "You should reward search companies on how well the person has done." He will forgo part of his fee in return for a performance-related slice. Page 22

Japan local government bonds rated Japan's local governments have been awarded individual credit ratings according to their financial situations. The move reflects a feeling that their bonds no longer carry implicit central government guarantees. Page 24

Air Afrique court case opens in Paris The opening in Parls of a court case against Alr Afrique will turn the spotlight on the west African carrier brought to the brink of collapse last year by a mountain of debt. Page 16

Toughened glass breakthrough A team of researchers in the US and Italy has designed a method of strengthening glass that could pave the way for thinner and lighter panels in electronic displays. Page 22

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TELECOM ITALIA SAVINGS SHAREHOLDERS MAY BE FORCED TO ACCEPT NON-VOTING SHARES UNDER NEW OFFER

Investors uneasy with Olivetti bid

By Hugo Dixon in London and Paul Betts in Milan

Nearly one-third of Telecom Italia investors may be forced to accept non-voting shares in an Olivetti subsidiary if Olivetti's €53bn bid for the telecommunications giant succeeds, a Financial Times analysis of the Olivetti bid

Such a move would cause unhappiness among Telecom Italia shareholders, some of whom already think Olivetti's bid is too cheap and that it will result in the company being loaded with too much debt.

Bankers say Olivetti may merge Tecnost, the vehicle

being used for the bid, into be any need to pay large divi- its much smaller Italian tele- shareholders meeting at which Telecom Italia's savings share holders, who account for 29 per cent of its investor base. Savings shares, which do not

carry votes, are not subject to Olivetti's offer. But if Tecnost were to merge with Telecom Italia, these shares would be exchanged for non-voting stock in Tecnost. The main attraction in forc-

ing such a merger would be to help Tecnost service the €34bn in debt it will inherit if the bid succeeds. All Telecom Italia's cashflow would then he available to cut Tecnost's debt

Telecom Italia. That would dends to the savings share- coms rival. The board, which at least 30 per cent of the comhave profound implications for holders. A subsidiary attract has already rejected Olivetti's payments, as the interest payments on Tecnost's debt could be offset against Telecom Italia's profits.

> Savings investors may not be happy with the possibility of their dividend being cut or with becoming non-voting shareholders in a company controlled by Olivetti But because savings investors do not have votes, bankers believe they would not be able to block such a merger

Telecom Italia has called a board meeting in Milan today because there would no longer to sharpen its defences against approval by an extraordinary

tion would be to cut tax revised bid is expected to call a special shareholders' meeting to approve its merger with Telecom Italia Mobile, its 60 per cent-owned cellular telephone subsidiary. That would substantially increase the cost of any takeover

> Analysts said Telecom Italia could also consider converting its non-voting savings shares into ordinary voting shares and propose a special dividend to raise the stakes in the takeover battle. However, under new takeover rules, such defensive action would require

pany's capital was represented. Franco Bernabe, chief execu-

tive, continues to strengthen his grip on Telecom Italia with the appointment of Giovanni Stella, a former executive of Eni, the oil group headed by Mr Bernabe before he joined

Telecom Italia last November. This followed the resignation at the weekend of Fulvio Conti, the financial officer who was appointed under the previous regime of chairman Gian Mario Rossignolo.

Lex. Page 12 Chinese boxes, Page 14





CK Chow, chief executive of GKN, and the troop transport version of the EH101 helicopter developed jointly by Agusta and GKN's Westland busine

GKN and Agusta set for helicopter deal

By Michael Peel in London

Joint venture would have combined order book of \$8bn

Europe's largest belicopter joint venture with Westland. manufacturer.

£5bn (\$8bn), would be a 50-50

The deal would deepen combine its tanks business

group, expects this month to subsidiary of Finmeccanica, sector. unveil a merger of its West- the Italian engineering group. land helicopter business with Agusta already builds EH101 Agusta of Italy, creating naval patrol helicopters in a

business, which would have a complementary. While Agusta combined order book of about makes craft mostly for civil customers, GKN's operation has a military focus. GKN is understood to be

GKN's participation in the confident that the agreement ably larger. The helicopters wave of consolidation in the is unlikely to be undermined European defence industry, by competition issues. The The group last year agreed to company has been encouraged. political support in with Alvis, the UK armoured the European Union for close to a conclusion came as

GKN, the UK engineering vehicles maker. Agusta is a consolidation of the defence GKN announced annual

on Friday for further talks. The two companies have to discuss Agusta and GKN believe how decisions on operational It is believed the merged their helicopter businesses are matters, such as staff changes, would be made.

GKN is set to stress that the agreement would be an equal partnership, despite the fact that its order book is considerwould be produced at Agusta's existing Italian facilities as well as GKN's plant in Yeovil.

Indications that the deal was

results ahead of market expec-It is understood that GKN tations. Pre-tax profits rose representatives will fly to Italy from £406m to £707m on sales up 9.5 per cent at £3.7bn.

> Profits were lifted by an exceptional credit of £248m relating to GKN's successful appeal against a US court judgment that it had defrauded 2,500 franchisees of Meineke Discount Mufflers, its US exhaust retailer. GKN had in 1996 made a £270m provision against the initial decision.

Operating profits in the

industrial services division 910p. rose 31 per cent to £118m as the group experienced strong Lax, Page 12

demand for its grocery pallets. "Most of this [growth] came from the basic pallet service," said CK Chow, chief executive. Mr Chow said the group's automotive division was well placed despite a reduction in production in Europe. The company had gained market share in North America, and its exposure to emerging mar-

kets was limited. A total dividend of 16.3p (14.75p), including a final payout of 10.55p (9.5p), is proposed, payable from earnings per share of 80.2p (39.2p). The shares rose 62%p to

Tensions over control stall BSkyB talks with Canal Plus

Samer Iskandar in Paris

Merger talks between Canal Plus and British Sky Broadcasting, the pay-television companies, seemed close to breakdown last night after the French company imposed a stringent set of conditions for further negotiations.

Canal Plus said it would have to assume the dominant. role in management and its independence had to be respected, stressing there was no point in further talks until its conditions were agreed.

The statement came amid growing controversy in France over a possible merger with BSkyB, which dominates UK pay-television and is 40 per cent owned by Rupert Murdoch's News Corporation.

Mr Murdoch met Pierre Lescure, Canal Plus chairman and chief executive, in Paris vesterday, as the French government warned it would scrutinise any link-up.

Tensions over the issue of control have grown since BSkyB said it wanted Mark Booth, its chief executive, to take the same role in a merged company. Mr Lescure could have become executive chairman of any merged group.

Although Mr Murdoch is thought to have conceded that Canal Plus and its largest shareholder, the utilities group Vivendi, should have the biggest stake in a merged group. the issue of management has not been resolved.

Canal Plus also stressed it wanted the alliance to "respect all of Canal Plus's commitments to support cultural issues and creative (film) production in France, Italy, and more generally, Europe".

Catherine Trautmann, the French culture minister, said the government was "preoccupied" by the threat a merger might pose to the French film industry. Canal Plus is a leadig investor in the of French films.

Talks between BSkyB and Mr Murdoch's bid to form a rival to Canal Plus's Telepiù digital service in Italy.

The talks later broadened to merger discussions. But ana lysts believe any merger would face fierce regulatory scrutiny in Brussels. The Italian government has already said it would oppose a merger.

Troubled Kellogg shakes up senior management team

By Nikki Tait in Chicago

Kellogg yesterday launched a major sweep of senior management positions and made a number of new appointments ailing cereals business back on

Among those leaving the company are John Hinton, chief financial officer, and Jean-Louis Gourbin, president of European operations. Other resignations include Richard Clark, Kellogg's general counsel, and Robert Creviston. senior vice-president for human resources.

Donald Thomason, executive vice-president with responsibil-

work with Kellogg for some months to assist the incoming management team.

The departures come less than a month after Kellogg announced it was appointing Carlos Gutierrez as its new chief executive. Mr Gutierrez, a long-time Kellogg executive who joined the company 23 years ago as a sales representative in Mexico, is due to take

up his new position in April. The latest management turmoil follows a tough period for Michigan-based Kellogg, the world's largest maker of readyto-eat cereals, which suffered an 11 per cent drop in operat-

ing profits last year. The company has attempted ity for services and technol- to fight back with a mixture of ogy, announced plans to retire, cost-cutting measures, new although he will continue to product launches and an to \$50 in early 1998.

food interests. But Wall Street has yet to be convinced it has found a solution.

Kellogg said the management changes reflected Mr Gutierrez's desire to have his own hand-picked executives in key positions when he formally assumed the chief executive's position.

Mr Gourbin will be replaced immediately by Alan Harris, president of the Latin American operations. Kellogg said it was still looking for a new chief financial officer and general counsel.

Kellogg's shares rallied last month on news of Mr Gutierrez' appointment, but eased \$1/4 to \$36% in early trading yesterday. This compares with close

Tieto to take over Swedish rival

information technology ser- son of Sweden and Nokia of vices, is to take over its Finland, and ABB, the Swiss-Swedish rival, Enator, in a Swedish engineering conglom-€920m (\$1bn) deal that will erate. form one of northern Europe's leading computer maintenance and systems management ing pan-European suppliers on companies.

as Tietoenator, will have more said Mr Lehti, who will be the than 10,000 employees and an company's chief executive. estimated market capitalisation of £2.9bn. It is expected to software and services sector compete with larger IT service was valued at \$139bn. Industry providers such as Cap Gemini analysts predict it could be of France and Sema Group, the Worth \$208bn by 2001. Anglo-French company.

trial and financial clients. Machines, Electronic Data Their customers include tele-Tieto, the Finnish provider of communications groups Erics-

"Our market place is integrating and customers are seek- or services. IT consulting, systems devel-The new group, to be known opment and maintenance." In 1997, the European IT

In the fragmented IT Matti Lehti, Tieto chief exec- services market, however, in Stockholm. utive, said the merger was Tletoenator will remain a rela-

Systems and Andersen Consulting. Nevertheless, Mr Lehti predicted the enlarged company would achieve "valuable economies of scale" even though there was little overlap between their customer bases

He declined to comment on possible job losses. The announcement followed

more than two years of on-off talks. Although the deal has yet to be approved by shareholders, the market welcomed the proposed transaction, with Tieto shares rising €2.40 to €40.80 in Helsinki, while Enator closed up SKr18 at SKr251

Tieto was advised by Mandaprompted by rapid inter- tively small participant tum, the Finnish investment ational expansion among the compared with US groups such banking group, while Carnegie two companies' large indus- as International Business of Sweden acted for Enator.

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Find us at three parocess "Ingloom"

Chinese boxes may hold the key

By Huga Dixon

Whatever one thinks about the industrial merits of Olivetti's €52.6bn bid for Telecom Italia, it is certainly a triumph of financial engineering. Not since the miracle of the "Feeding of the 5.000", when five loaves and two fishes satisfied the hunger of a crowd, has so little been made to go so far.

Olivetti is relatively small, with a market capitalisation described as capitalism withof €8.6bn (\$9.39bn). Mean- out the capital. while, the enterprise value of the Telecom Italia group if one includes all classes of canital not just the ordinary shares Olivetti is bidding for – is €90bn. How can the Olivetti minnow aspire to swallow such a whale?

There are two answers: debt and "Chinese boxes". First, debt. Olivetti itself could not support anything like the debt it is envisaging assuming. But, like many corporate raiders before him Roberto Colaninno, Olivetti chief executive, plans to use the prodigious cash flow of his target to secure his bor-

Second, Chinese boxes. This financial mechanism, beloved of old-style Italian capitalism, involves a series of holding companies one on top of another. Because each tiny amount of equity can go

UK insurer objects to bid over growth fears

esterday it objected to the

deal on the grounds that it

would leave the company

Tecnost shares.

shareholders. But they do

Standard Life, the UK-based life insurer, is planning to vote against Olivetti's hostile bid for Telecom Italia and is seeking to harness apposition from other shareholders, writes

If the Olivetti bid is the

mother of all takeover battles, it also involves the creation of the mother of all Chinese boxes. At the top of the pyramid is Mr Colaninno. He and his family own 15 per cent of Fingruppo, which in turn owns 39 per cent of Bell, a Luxembourg holding company that owns 15 per cent of Olivetti. That makes Mr Colaninno the dominant force in Olivetti despite having an economic interest of less than 1 per cent of its capital.

In order to finance its assault on Telecom, Olivetti is doing two things. First, it is selling its existing telecommunications interests the bulk of its business - to Germany's Mannesmann for €7.6bn. Second, it is launching a €2.6bn rights issue. company in the chain only Add in its small cash pile ian capitalism, are entitled owns part of that below it, a and it has €10.8bn to deploy. to dividends at least as big The next level of the pyra- as those paid to ordinary mid is Tecnost, the shell

debt and stifle its future Johnson, in New York. The fund manager, which owns 0.4 per cent of Telecom Italia's stock, said

Olivetti's bid is also reported to have attracted opposition from two US shareholders. Federated Global Research and USAA

company being used to not carry votes. In terms of launch the Telecom bid. It controlling a company, they will get its funds from four sources. First, Olivetti itself On the bottom level of the pyramid sits Telecom Italia will pump in its €10.8bn to buy shares. Second. Tecnost. Mobile, the world's third will borrow €20.7bn from largest mobile communicabanks. Together, these make tions company. Telecom up the cash portion of the bid. The remaining €21bn comes from €13.7bn in Tecalso has savings shares, of nost bonds and €7.4bn of which Telecom owns 20 per Tecnost shares. Both these cent. That gives Telecom bits of paper will be offered control with 58 per cent of to Telecom shareholders. If its share capital. the bid succeeds. Olivetti will own 59 per cent of

So to appreciate the full is seeking to control, it is The pyramid, though, does necessary to look beyond not stop here. In addition to Telecom's ordinary shares. ordinary shares, Telecom The Telecom savings shares must be added along with the TIM minorities. Throw Italia has savings shares. These represent 29 per cent in the group's debt - €8.4hn of the company's share capital but are not the subject of at the Telecom level, offset by cash of €500m at the TIM the Olivetti/Tecnost offer. level - and the group's Savings shares, another throw-back to old-style Italenterprise value comes to

There is, though, one But there would not be gigantic snag. The bulk of the debt - €34.3bn, when you add bonds to bank borrowings - will be upstream at Tecnost. But the cash flow will be downstream at Telecom and TIM. This will create two headaches for Tecnost as it tries to service its

upstream through dividends, a large amount will leak out to the savings shareholders and the TIM minority.

Second, the structure is extremely inefficient from a tax perspective. One of the joys of debt-financing is that interest payments are taxdeductible. But, under Italian law, a group's accounts cannot be consolidated for tax purposes. This means that, if Tecnost's bid succeeds, the Telecom group will continue to pay corpora-

tion tax of €3.2bn a year On the face of it, the Telecom group has enormous cash flow. Earnings before interest, tax, depreciation and amortisation (ebitda) are expected to be about €12.8bn in 1999. But factor in minorities, tax and the need to invest, and Tecnost will not be wallowing in cash. If interest rates shot up, it could even struggle to service its debts.

Consider the maths. Of the group's ebitda, €3.6bn belongs to TIM. After subtracting its tax and investment, only €1.5bn would be left over to be distributed in dividends. That would be double the current dividend but, after minorities had had TIM's ordinary shares. TIM their cut, only €800m would reach Telecom

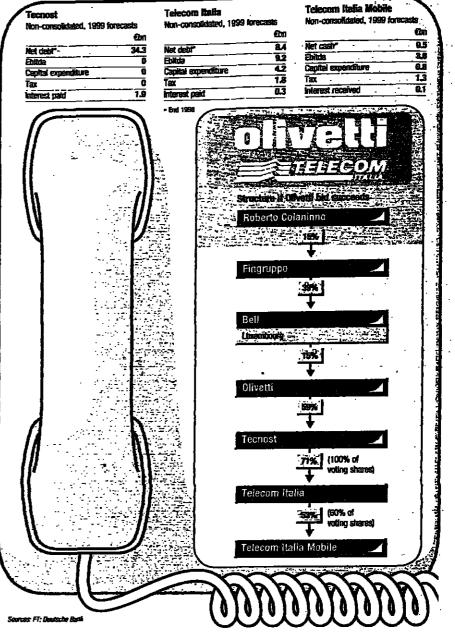
Next look at Telecom. Do the same exercise, add in a supercharged dividend from TIM and only €3.8bn could be paid out without increasextent of the empire Olivetti ing its debt. Once the savings shareholders had had their cut, €2.7bn would flow up to Tecnost.

Assume Tecnost had to pay 5.5 per cent on its €34.3bn debt - a premium compared with most bluechips to reflect its high leverage - and its annual interest charge would be €1.9bn. The cash flow from Telecom would be cover this. much room for error if interest rates rose or profits

Olivetti, though, has a trick up its sleeve: it may collapse one of the Chinese boxes by merging Tecnost and Telecom Italia. This would involve giving the Telecom savings shareholders non-voting shares in

A merged structure would have three advantages. First, the group's tax bill would fall because interest payments would be tax-deductible. Second, 29 per cent of Telecom's cash flow would not be siphoned off to the savings shareholders. Finally, the group's interest rate would probably fall because its greater financial stability would merit a superior credit rating.

or credit rating. the savings shareholders Redo the maths on the into the fold by offering



assumption that a merged Telecom/Tecnost would pay 5 per cent, and it would have €4.8bn in free cash flow (after tax and capex) to cover €2bn in interest payments. That would be much more comfortable.

This is, of course, not the end of the story. Telecom, whose board meets again today, will try to demonstrate that Olivetti's €10 a share offer is too cheap - a

view shared by many. The essential element of its defence is likely to be a merger of its own - between Telecom and TIM. It could also do something to bring

them the chance to convert tunity to strip Telecom's into voting shares. Telecom could equally take a leaf from Olivetti's book and gear up its balance sheet perhaps by paying a special dividend - to cut its tax bill.

If Franco Bernabe, Telecom chief executive, can present a credible plan for turning the company around, Olivetti will have to increase its bid or retire. But Olivetti has not used

all its firepower. For a start, a merged Tecnost/Telecom could probably take on more debt. Tecnost could also offer Telecom shareholders more shares without Olivetti

losing control. Finally, there is the oppor nics before this ends

assets. Olivetti has already ing it sold down its voting stake to 50.1 per cent and liquidated all its TIM savings shares, €5.2bn would be raised. Olivetti could easily raise another €10bn from selling Telecom's surplus property, non-core assets at home and some of its international assets.

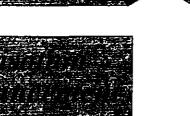
Meanwhile, a thorough asset-stripping - involving the liquidation of the entire TIM stake and all non-core assets - would raise an eyepopping €40bn. There may be more financial pyrotech-

taken profits man

à than-expected



Boxing clever: Franco Bernabe's board meets today to beat off interest from Roberto Colannino







Republic of Senegal

The Government of Senegal, as part of its program to liberalise the economy through the implementation of market based reforms, announces its intention to privatise SONACOS (Société Nationale de Commercialisation des Oléagineux du Sénégal).

SONACOS, the leading agro-industrial company in Senegal, is active in three main areas: refining and exporting of peanut oil and related byproducts, importing, refining and marketing of vegetable oil and manufacturing of consumer products (soap, mustard, vinegar, margarine, etc.). A summary of the company's strengths follows:

- leading supplier of peanut oil to Europe
- · estimated 90% market share of the edible oil market in Senegal
- large industrial base in Senegal (5 factories including 2 port facilities)
- turnover of FCFA 98 billion (USD 176 million) expected for 1998

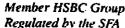
The Government is seeking to sell a minimum of 51% of the share capital to a strategic investor with the industrial know how and financial strength to realise SONACOS's full potential. Tender documents will be available after March 15, 1999 at a cost of FCFA 250,000.

For further information, interested investors are invited to contact the Ministry of the Economy and Finance with copy to the adviser to the Government, HSBC Equator Bank, at the addresses mentioned below.

Ministère de l'Economie et des Finances, Cellule de Gestion et de Contrôle du Portefeuille de l'Etat: Mr. Serigne Ahmadou CAMARA 11, rue Malan - immeuble Electra II - 3e étage Dakar, Senegal phone: (221) 823 34 28 facsimile: (221) 822 56 31

HSBC Equator Bank plc: Mr. James N. SHEFFIELD 66 Warwick Square SW1V 2AL London, UK phone: (44) 171 821-8797 facsimile: (44) 171 821-6221

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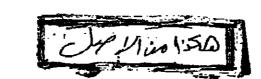
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FINANCIAL ITMES



CARMAKERS FRENCH GROUP LOOKS FOR DEALS AS PROFITS DIP BELOW EXPECTATIONS

Peugeot-Citroën seeks merger opportunities

By David Owen in Paris

Peugeot-Citroën, the French a policy of common platcarmaker, yesterday forms". acknowledged it was looking at unspecified merger or acquisition opportunities as it disappointed the market bilities and if we find an by reporting lower than expected 1998 profits.

In what was interpreted by some as a change of tone on the subject, Jean-Martin Folz, chairman, said mergers and acquisitions were "very 1998 profit of FFr3.18bn,

good as long as they permit (€485m, \$530m) or FFr63 a operating profit to climb

He said: "One must be We are watching the possiinteresting one, we will seize

His comments, at a time of rapid consolidation in the sector, came as the group reported a net attributable

the rapid implementation of share, against a FFr2.77bn from FFr7.2bn to FFr9bn and the group's arch domestic other Peugeot-Citroën modloss the previous year.

pragmatic and not dogmatic. a share buyback programme nor even a proposed more share were enough to offset the market's disappointment at a below-par result.

There was also some scepticism about the group's 1999 objectives, which call for Lyonnais Securities.

But neither this sharp from the core cars division expecting a 1999 operating the 206 giving the [Renault]

"If the people with the most innovative products on than tripling of the pet divi- the market - Volkswagen to sell more than 500,000 of dend from FFr3 to FFr9.84 a and Renault - say things are its 206 in 1999, having comtough in 1999, it is difficult fortably beaten its 1998 tarto believe Peugeot will be get of 100,000 sales. Overall,

for the operating margin rival, indicated it was els. "I don't think we will see against 5.2 per cent last year. Peugeot said it was aiming said Mr Miller.

able to do better in it indicated it was aiming for

Earlier this week, Renault, 206 might take sales from improvement, nor plans for to rise from 2.1 to 3 per cent. margin of about 4 per cent. Clio a good hiding while not affecting the 106 and 306,

> Annual sales rose sharply from FFr186.8bn FFr221.4bn. Peugeot-Citroén shares closed down 2.35 per isolation," said Simon Miller. worldwide vehicle sales of cent at €116.30, against a 1.1 vehicles analyst at Crédit 2.4m in 1989, up from 2.28m. per cent decline for the Lyonnais Securities. But analysts believe the benchmark CAC 40 index.

court setback and David Owen in Paris LVMH, the French luxury goods group, last night received a setback in the bat-

minority shareholding in the Italian fashion house's capi-The temporary ruling will in an important extraordinary meeting called by the French group to vote on its proposal that a nominee

tle over the future of Gucci

Gucci board. This means, in effect, that Gucci's independent shareholders will decide whether to endorse the appointment of the nominee, which was opposed by Gucci manage-ment, at the meeting scheduled for March 23.

However, LVMH last night hinted that it might now rethink its decision to call

the meeting. The court also froze the votes attached to new shares issued recently by Gucci to a newly created employee hare option plan (Esop). in

expressed the view that this poison pill was probably contrary to Dutch law. The court said LVMH did not appear to have behaved like a reasonable shareholder by when a Dutch court effec- setting its intentions out

LVMH suffers

tively stripped it of the votopenly and in good faith. ing rights attached to its Amid tense court room scenes at the end of the hearing, Bob Singer, chief financial officer of Gucci said: "It is an excellent prevent LVMH from voting result. It will allow the independent shareholders to express their views about LVMH's proposal."

A member of the LVMH team described the decision director be appointed to the as "slightly imbalanced". Bernard Arnault, LVMH chairman, was said to be "pleased" that the court acknowledged the doubtful legality of the Gucci poison pill. But he was also disappointed that LVMH would not be able to make itself heard at the planned extraordinary shareholders'

meeting.
Last night's developments came at the end of a day of legal proceedings launched by LVMH in the Amsterdam Court of Appeal. Gucci is being advised by Morgan a bid to dilute LVMH's Stanley and LVMH is being shareholding from 34.4 per advised by Goldman Sachs.

Aegon turns in 'beautiful year'

By Gordon Cramb in The Hague at F13.44bn. The Americas

Aegon, the insurance group that is the star of the Amsterdam bourse, yesterday produced a 24.5 per cent cent, though stripping out increase in annual net profits in what Kees Storm, chairman, called "another beautiful year".

The Fl 2.75bn (€1.25bn, \$1.36bn) outcome just met its most recent forecast made for like basis was only 7 per last November. For the cur- cent. rent year it projected an earnings rise of 18-20 per cent, but analysts viewed ahead of the group's 10 per that as caution rather than a cent long-term target. signal of further slowdown. None had expected the company to match its 41 per cent growth rate of 1997.

Mr Storm said the latest would continue to seek projection depended on completing by midyear its \$9.7bn takeover of the San Francis- banks, but we don't want it co-based Transamerica, to end in marriage." which was agreed two weeks ago. The deal, which makes profit of some Fl lbn from Aegon the third biggest life insurer in the US, is expected to contribute 3 per cent to the bottom line this year and next.

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As it was, the US brought the strongest impetus to disposal, however, and the growth in Aegon's life business in 1998, as the benefits flowed through from a previous takeover in that market. financial officer, stressed the operations of Providian, acquired in mid-1997, making adopting the conventions their first full contribution, life results at an operating level were 31 per cent ahead year's profits by 42 per cent.

accounted for three-quarters of that rise.

Overall premium income at Fl 25.5bn was ahead 21 per the effects of acquisitions and divestments still left an increase of 16 per cent. Investment income was 25 per cent ahead at Fl 11bn. although growth on a like-

Autonomous growth in net profits was 13 per cent.

Mr Storm said figures like those showed there was no need to merge with a bank to sell its products, though it co-operation arrangements "We are keen to dance with

Aegon expects a book relinquishing majority con-trol of Bank Labouchere, an Amsterdam investment bank which is merging with the rival AOT. It has put no date on the

gain will not flow to the profit and loss account. Henk van Wijk, chief With the insurance conservatism of its accounting policies by saying that

used by one Dutch competi-

tor would have inflated last

NEWS DIGEST

BREWING

Heineken profits rise better-than-expected

Heineken, the Dutch brewing group, yesterday posted a better-than-expected 29 per cent profit rise in 1998, but warned that earnings growth was set to slow this year. Karel Vuursteen, chairman, said net profits of FI 981m (€445m, \$491m), up from FI 761m, were boosted by changes in the product mix, a favourable dollar-guilder rate and the consolidation of recent takeovers including Brewpole, Poland's largest brewer that Heineken bought last year. Many analysts had forecast earnings would rise no more than 25 per cent. Mr Vuursteen pointed to uncertainties over economic performance (especially in Asia), summer weather, currency swings and shifts in excise duty. "We'll see an increase [in profit this year], but it won't be as great as in 1998." Heineken stock closed 5.3 per cent down at €44.85. Group operating profits were 21 per cent up at F1.45bn. Jeremy Gray, Amsterdam

NETHERLANDS

Rabobank maintains ratios

Rabobank, the Dutch co-operative financial group, kept its capital ratios intact last year in spite of turbulence in world markets and strong increases in business volumes. Its Bank for International Settlements ratio remained at 11 per cent while tier one core capital was held at 10 per cent. The achievement helps it preserve its AAA rating. Assets grew 28.6 per cent to FI 550.3bn (€249bn, \$273bn). Funds under management jumped 51 per cent to FI 197bn. Net profit rose 8.1 per cent to FI 2.06bn. Gordon Cramb, Amsterdam

AIRLINES

SAirGroup lifts profits

SAirGroup, parent of Swissair, increased its net profit by 11 per cent, to SFr361m (\$248m) in 1998 but its decision to hold its dividend at SFr4 a share reflects its caution about the current year. SAirLines, the group's airline operations which account for half the business, increased operating profits 34 per cent to SFr354m. Capacity was increased 11 per cent. A 13.2 per cent growth in economy-class passengers was partly offset by a 9.1 per cent drop in first-class passengers. William Hall, Zurich

NORWAY

Aker RGI changes strategy

Aker RGI, Norway's largest industrial holding company, yesterday unveiled a change in strategy, plans to sell assets and a fall in pre-tax profits from NKr755m to NKr738m (\$93m) on 36 per cent higher revenues of NK/34.8bn, after losses in its seafood units. The company will move away from being an industrial holding company and towards being mostly an investment company. It said it would re-organise Aker Maritime, a Norwegian oil service company, and Scancern, a Swedish cement company, together with its seafood and shipyard interests, under industrial holdings. Scancem would later be sold. The company proposed a dividend of NKr1 for 1998, which may be increased this year after the sale of its shares in Scancem. A shares closed NKr2 higher at NKr92, B shares rose NKr1 to 84. Valeria Skold, Oslo

Oslo sells 16% Christiania stake

By Valeria Sköld in Oslo

The Norwegian government yesterday announced its largest public offering when it unveiled plans to sell a 16 per cent stake in Christiania Bank, in a sale worth up to NKr3 bn (\$378.8bn).

The offering of 90m shares one month after appointing in the country's second largest bank will reduce the stake held by the Norwegian government's Bank Investment Fund to one-third. It is director of the fund. part of the government's plans to reduce its majority holding following earlier privatisations.

The offer period will be

Norwegian and international investors and an offering to March 22.

The fund was able to

advisers, as pre-marketing indicated the offering would be several times subscribed. said Jan Hopland, managing The offering comes ahead

of a similar sized offering of in Den norske Bank, Nor-

institutional placement to delayed since advisers were expressed little interest in appointed in March last year because of a change in chief the Norwegian public. A executive. The fund expects final price will be fixed on to take a decision on Den norske Bank in the first half of this year, Mr Hopland

launch the share sale only said. Christiania Markets, a brokerage that is owned by Christiania Bank, will lead the public offering, which will be sold in minimum blocks of 200 shares and up to 300,000.

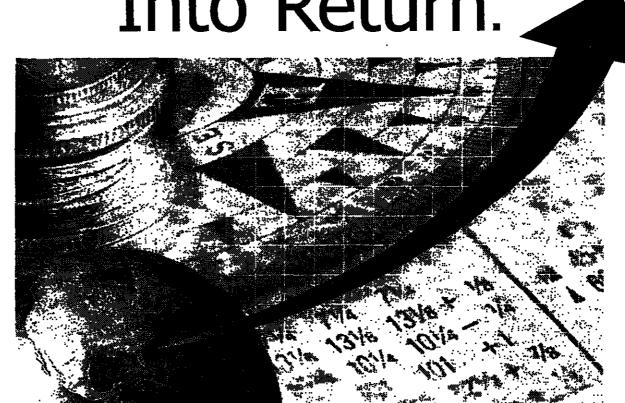
sentations to avoid a repetiway's largest bank. The tion of the situation in 1995,

between March 8-19 with an planned offering had been when the Norwegian public the state's reduction of its stake from 71 per cent to 51 per cent.

Salomon Smith Barney, lead adviser for the institutional syndicate, will next week begin a road show targeting institutional investors outside the country.

Norwegian and international investors will be allowed to bid for a minimum of 300,000 shares, as long as their total share cap-The fund plans to visit 24 ital in Christiania Bank does the state's majority holding Norwegian cities with 30 pre- not exceed the country's 10 per cent limitation on owner

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Greeks in euro scramble

Banks gear up for likely entry with battle for Ionian stake, writes Kerin Hope

share in Greece's banking sector is heating up, with the government poised to sell 51 per cent of Ionian Bank, the country's fourthlargest financial group.

Two aggressive local banks, EFG Eurobank and Piraeus Bank, are the frontrunners to buy Ionian. Alpha Credit Bank, the biggest private Greek bank, is also among shortlisted bidders due to submit binding offers on March 26.

The sale, worth Dr120bn-Dr130hn (\$409m-\$444m) will be Greece's biggest bank privatisation. The proceeds will strengthen the balance sheet of Commercial Bank, its parent group, which is due to be sold next year.

Analysts say consolidation in the sector, which saw six small Greek banks - four state-owned and two private change hands last year. will continue as bigger banks try to bolster their position before Greece's probable entry to the euro zone in 2001.

There are still too many

he battle for market banks for the size of the economy," said Claire Gouzouli, a partner in First Consulting, a London-based consultancy. bank "Although there have been ownership changes, restructuring hasn't yet started."

Russian crisis erupted

from disappointed investors.

record levels. But while

shares in the banking sector

jumped 23 per cent in the

first two months, Ionian's

performance lagged behind,

ncreasing by 15.5 per cent.

been abandoned in favour of

J.P Morgan, the interna-

tional investment bank act-

ing as the government's

'urobank last year

increased its capital

base to Dr190bn to sup-

port faster expansion. It

bought Bank of Athens from

Korea's Hanwha group and

Cretabank in a privatisation

sale, as well as a 20 per cent

in Ergobank, Greece's most

profitable private bank.

The tender process has

negotiated sale, with

Ionian's market share has dropped from about 7 per cent to 5.5 per cent, analysts say. This resulted from a six week strike by employees demanding job guarantees in the terms of sale.

deposit base, however, a comparatively small loan portfolio and a larger branch network than any Greece's private banks. "Whoever wins Ionian is sure of being one of the play-

ers in the next round of con-

Ionian boasts a strong

solidation," said Evrikos Sar-sentis, head of research at Telesis Securities in Athens. The government's first attempt to sell Ionian. through a tender process on the Athens bourse, came unstuck last summer. After frenzied buying by domestic investors, Ionian's stock Eurobank's merger this market capitalisation soared month with Bank of Athens,



gave the group its first stock market quotation.

Eurobank, the only retail operation in a chain of private banks controlled by Latsis, the London-based Greek oil and shipping group, has built a market share of about 6 per cent in Greece. It has also become the first Greek bank to attract a big German investor as a strategic partner. Deutsche Bank last year acquired a 10 per cent stake.

But Piraeus Bank, controlled by a group of local entrepreneurs, will mount a strong challenge for Ionian. In December it bought a controlling stake in Xiosbank, a

which is listed in Athens, fast-growing retail bank. Piraeus Bank's share price has jumped 60 per cent since the start of the year.

Despite the rush to privatise, retail banking in Greece is dominated by state-controlled groups. Foreign banks in Greece have focused on corporate and treasury business But consolidation and

Greece's prospects for joining the euro, have changed the picture. "It's assumed by asset the markets that Greece will qualify for the euro," said Ms Gouzouli. "So you'd expect to see more foreign banks looking for a stake in one of the bigger private

cial International Bank and National Banking of Egypt, Robert Fleming, the UKwill be re-established as a based investment banking holding company engaged in and brokerage company, yesterday merged its Egyptian leasing, insurance and direct investment, through which operation with the Cairoit will hold its 50 per cent ased CIIC as the first stage of a strategy aimed at estabstake in the new Fleming CIIC joint venture. CIIC will lishing Cairo as its regional

Flemings seeks Cairo

base with CIIC merger

portfolio. The new company, Fleming CIIC Securities, is the Fleming Robert result of a series of mergers possible merger last year, between the constituent when the brokerage partner-ship between CIC and INGparts of both companies. Flemings is currently part of a joint venture brokerage company, Fleming Mansour. Barings since 1997 had failed to expand according to This is to be merged into expectations. Barings held a Intercapital Securities, the brokerage arm in which CIIC agreed to sell to CIIC before has an 80 per cent stake, givthe new arrangement with ing the merged company a 16 per cent share of the Robert Fleming was agreed.

also retain its private equity

The merger is a significant Egyptian brokerage market. Along with the creation of step towards translating into the new brokerage operareality the hopes among Cairo financiers of develoption, CIIC is to spin off its ing a regional business.
"We want to be the major management operations to the new Flem-

player in the region, and the ing CIIC operation, which ball is going to run very will be capitalised at \$100m and will also develop the quickly," said Yasser elgroup's corporate finance Mallawany, CIIC managing director. "We are merging CIIC, whose institutional our corporate penetration

inancial centre.

shareholders are Commer- and strength with interna-

CIIC, which is capitalised at E£600m (\$176m) and has handled business worth E£5.5bn since its establishment in 1994, has a local client base that foreign companies have found difficult to match without a well-established local partner. The merger of the companies will now allow CHC access to approached CIIC about a Flemings' regional network.

The decision to locate a regional office in Cairo suggests that the size of the Egyptian market and its location may now lead to Cairo succeeding in attract-29 per cent stake in Intercaping global financiers who ital Securities, which it had considered Beirut as the city of preference in the region.

The creation of Fleming CIIC means there are now two leading companies in the Egyptian market. The other is EFG-Hermes, which has a similar spread of activities and has already established a regional reputation in investment banking but has no global partner. Some analysts now believe that EFG-Hermes is likely to seek

Shareholders of

Svenska Cellulosa Aktiebolaget SCA (publ)

are hereby invited to attend the Company's Annual General Meeting, to be held Wednesday, 24 March 1999 at 1:00 p.m. at the Vinterträdgården, Grand Hôtel, Stockholm, Sweden. Entrance: Royal Entré, Stallgatan / Blasieholmsgatan

Notification, etc.

Shareholders wishing to participate in the Meeting must: be recorded in the share register maintained by the Swedish Central Securities Depository (Värdepapperscentralen VPC AB) not later than Friday, 12 March 1999,

notify SCA of their desire to participate not later than 4:00 p.m., Friday, 19 March 1999: in writing, to Svenska Cellulosa Aktiebolaget SCA, Legal Affairs, Box 7827, SE-103 97 Stockholm, Sweden, or by telephone +46 8 788 51 39, telefax +46 8 678 23 24, or SCA's website www.sca.se.

Shareholders who have transferred their shares to the trust department of a bank, or to a private broker, must temporarily register the shares in their own name in order to be entitled to vote at the Meeting. To ensure that the shares are re-registere in sufficient time, the shareholders should request that the bank or broker holding the shares arrange temporary owner registration, so-called voting right registration, well in advance of Friday, 12 March 1999.

- Meeting convenes. Election of Chairman of the Meeting. Preparation and approval of the voting list.
- 3. Election of two minute-checkers.
- 4. Determination of whether the Meeting has been duly
- 5. Approval of the agenda. 6. Presentation of the annual report and the auditors' report
- and the consolidated financial statements and the auditors report on the consolidated financial statements. 7. Resolutions concerning:
- a) adoption of the income statement and balance sheet and the consolidated income statement and the con-

b) the disposition to be made of the Company's profit as

- shown in the balance sheet adopted by the Meeting, determination of record date, c) the discharge of the members of the Board of Directors and of the President from liability.
- 8. Determination of the number of members of the Board of Directors and deputy Board members.
- 9. Determination of the number of auditors and deputy auditors. 10. Determination of the fees to be paid to
 - a) the Board of Directors. b) the auditor.
- 11. Election of the Board of Directors. 12. Election of the auditor.
- 13. The Board's proposal for changes in the Articles of

Decision proposals

Shareholders who combined represent more than 50% of the votine rights for all shares in the Company have announced that they will support the following proposals regarding the oints above at the Annual General Meeting:

Point 8: Seven members and no deputy Point 9: One auditor and no deputy auditor Point 10: SEK 2 million is proposed as fees (unchanged) to the Board of Directors to be distributed by the Board among the members elected at the Annual

General Meeting who are not employed in the

Authorized accounting firm Ohrlings Coopers

Company. The fee to the auditor should be paid in a reasonable amount plus remuneration for checking the figures. Point 11: Re-election of Christer Gardell, Soren Gyll. Tom Hedelius, Sverker Martin-Löf, Lars Ramqvist, Clas Reuterskiöld and Bo Rydin.

& Lybrand AB.

Changes in Articles of Association (Point 13 above) The Board proposes that the Articles of Association be amended with a non-time-restricted so-called conversion clause, as a result of which it is proposed that §6 in the Articles of Association would have the following wording:

New wording §6

The Company's shares shall be issuable in two series. Series A

In voting at General Meetings, Series A shares carry ten otes, and Series B shares one vote. In other respects, Series A and Series B shares are to rank equally. The entire share capital may consist of Series A shares or

Holders of Series A shares shall have the right - but not the

obligation – to request that Series A shares be converted to Series B shares. Request for conversion shall be made in writing to the Company's Board of Directors. The request shall state the number of shares to be converted and, if the request does not involve the entire holding, which of these are intended for conversion. At its regularly scheduled meetings the Board shall address issues regarding conversion of shares from Series A to Series B whose owner requested such conversion during the period prior to such a meeting. However, the Board has the right, if it deems necessary, to address matters regarding conversions ar other times than stated above. The conversion shall be submitted for registration without delay.

Other changes in the Articles of Association Effective 1 January 1999, certain changes in the Swedish

Companies Act were implemented. Consequently, the Board proposes to the Annual General Meeting that the wording of §§9, 12, 13 and 15 be as follows.

At least one and not more than three auditors, with not more than three deputies, be elected at the Annual General Meeting.

New wording §12

Notifications of General Meetings of Shareholders shall be through advertizing in the Swedish Official Gazette and in Dagens Nyheter or Svenska Dagbladet or another nationwide

Notifications for Annual General Meetings and to Special General Meetings at which matters about changes to the Articles of Association will be addressed, must be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notification for other General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting.

New wording §13

In order to participate in the Meeting, the shareholder shall notify the Company not later than the day specified in the notification for the Meeting prior to 4:00 p.in. This date may not fall on a Sunday, other public holiday, Saturday, Midsuromer Eve, Christmas Eve, or New Year's Eve, nor earlier than the fifth weekday preceding the Meering.

A new point is proposed in §15 5 Approval of the agenda

The following points in this paragraph are renumbered. The following wording is proposed for Points 9, 10 and 12 (formerly 8, 9 and 11):

9 Determination of the number of auditors and deputy auditors, in cases when such an election shall be carried out

10 Determination of the fees to the Board of Directors and, at

Meeting where auditors are elected, the fees to the auditors 12 Election of auditors and deputy auditors, in cases when such an election shall be carried out.

The Board of Directors' proposals pertaining to the Articles of Association will be available at the Headquarters of the Company, Corporate Legal Affairs, Stureplan 3, Stockholm as of Wednesday, 3 March 1999, and can, on request, be provided

to those shareholders who desire a copy.

Dividend

The Board of Directors has proposed that a dividend of SEK 6.50 be approved. The Board of Directors has proposed Monday, 29 March 1999 as the record date for payment of the dividend. Payment is expected to be made through VPC (Swedish Central Securities Depository) on Wednesday, 7 April 1999.

> Stockholm, March 1999 Board of Directors



SVENSKA CELLULOSA AKTIEBOLAGET SCA (publ)

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Airline caught in rough patch

Air Afrique is battling against debt and searching for a new managing director

By Joel Kibazo

The opening yesterday in Paris of a court case against Air Afrique will once again turn the spotlight on the west African carrier, which was brought to the brink of collapse last year by a mountain of debt.

The case is being brought by the airline's creditors, led by Credit Lyonnais, the French bank, to demand repayment of leasing arrears of about \$200m owed on four Airbus aircraft. That amount is the largest part of the group's total debt of about

Although airline officials and creditors expect an adjournment after opening arguments, the case is another sign of the continued turbulance at the car-

The airline's principal owners - 11 former French weekend to appoint a new managing director.

denly at the end of January revenue. for health reasons after 21. As a result, the company the French group has the new company.

months at the helm. The carrier's main problems date back to 1994. Having taken delivery of four Airbus A-310 iets between 1991 and 1993. Air Afrique was hit by the 1994 devaluation of the CFA franc which doubled its Analysts say Air Afrique

already had a history of mismanagement and political interference. The Congo war in the sum-mer of 1997 led to the sus-

pension of flights to Brazzaville, further worsening its financial situation. Last July, creditors seized four Airbus jets, nearly a

quarter of the carrier's fleet. for non-payment of debt. Yet despite that catalogue of woes, much has changed at Air Afrique in the past 18

months.

Analysts say Sir Harry's main achievement was the introduction of tight cost controls. The repossession of the aircraft meant a big



Routes have been restructured but critics say the airline has yet to tackle the political minefield of cuts

to unprofitable routes

hopes in June to report an operating profit of about \$14m for 1998, the first in six years, and that figure is expected to more than triple

in 1999 to about \$50m. The board in December decided to accelerate the privatisation programm 12 per cent) failed at the reduction in leasing repay- member countries have ments - insofar as these already agreed to a reduc- fied fresh sources of financwere being made - while at tion in their holding from ing in shareholdings that the The position became the same time Sir Harry 70.4 per cent to 51 per cent airline has in two compavacant after Sir Harry increased use of the remain- as an initial step. Air France nies. The plan is for Air Afri-Tirvengadum resigned sud- ing fleet, helping to boost remains coy, but sources que to sell the stakes and

already been persuaded to become a strategic partner. A route restructuring pro-

gramme has also been carried out. Last week Air Afrique said it was increasing the number of flights between Abidjan, its Ivory Coast base, and New York and also between Abidjan and Johannesburg after it leased a new Boeing 767

However, critics say the airline has yet to tackle the political minefield of cutting out all unprofitable routes and staff have opposed some plans fearing they would lead to big job cuts.

But airline officials are aware the recent changes will have been in vain if no definitive way is found to tackle the mountain of debt. At the weekend, ministers from member countries decided to pursue an idea first raised last year of setting up a separate company to take over the carrier's debt and lease out the four

aircraft that triggered the The meeting also identiclose to Air Afrique believe use the proceeds to create

AEGON N.V., registered in The Hague, The Netherlands

FINAL DIVIDEND 1998

AEGON N.V. offers its shareholders the option to receive the final dividend for the fiscal year 1998either entirely in cash, or entirely in stock to be paid out of the paid-in surplus (free of tax in The Netherlands) or, if so requested, out of the net income.

The proposed final dividend 1998 in cash is NLG 1.30 (EURO 0.59) per common share of NLG 0.50 par value. In view of AEGON N.V.'s strong capital base, the final dividend in cash will be 2% to 5% higher than the value of the final dividend in shares.

Shareholders are requested to opt for cash or stock within the period set out in the time schedule

The value of the dividend in shares will be fixed in line with the value indicated above and will be based upon the average share price calculated over a period of five trading days following the last day of the election period. There will be no trading in dividend coupons on the Amsterdam

The final dividend will be submitted for approval to the Annual General Meeting of Shareholders (AGM) to be held on 29 April, 1999. The new shares will have full dividend rights for the fiscal year 1999 and subsequent years.

The time schedule for the final dividend 1998 is as follows:

29 April, 1999 4 May, 1999 4 May through 11 May, 1999 20 May, 1999 26 May, 1999

Approval of the final dividend by AGM. Ex-dividend quotation of AEGON shares. Election period.

Publication of the determined dividend in shares. Payment of dividend and delivery of new shares. Holders of shares which are not held in custody, and who have opted for stock, will be given the

opportunity to deliver the No. 14 dividend coupons, up to and including 11 May, 1999, to N.V. Nederlandsch Administratie- en Trustkantoor, Herengracht 420, 1017 BZ Amsterdam, The Netherlands. If no choice has been indicated by them within the above-mentioned period, the dividend will be paid in cash. If holders of sheres which are **held in custody** by a bank or a broker, do not indicate a preference for cash or stock within the election period, the bank or broker will generally automatically select

the stock dividend. Banks and brokers are requested to deliver the relevant dividend coupons to N.V. Nederlandsch Administratie- en Trustkantoor at the above-mentioned address, before the close of the Amsterdam Exchanges on 11 May, 1999. Shareholders who prefer to receive cash are requested to pass on their choice via their bank or broker to the principal paying agent Bank Labouchere, London Branch, 14 Buckingham Street, London WC2N 6DF, United Kingdom.

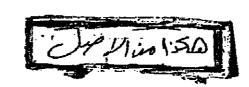
Delivery of new shares will be based solely on the total amount of No. 14 dividend coupons received by 11 May, 1999, accompanied, where applicable, by a payment of cash in lieu of any remaining

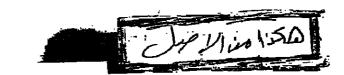
Note: The above dividend payment procedure does not apply to holders of New York shares.

The Executive Board

The Hague, 3 March, 1999 50 Mariahoeveplein







s Cairo C merger

Thanks to a number of great clients. A number of great awards.

Euromoney 1999

Best Government Bond Trading House

Euroweek 1999

Best Arranger of Project Financings

Best Lead Manager of Bonds for European Borrowers

Deutsche Mark Deal of the Year – KPN

Most Improved Bond House

New Borrower Deal of the Year – KPN

Runner-up Best Corporate Lead Manager of the Year

2nd Best Sovereign Lead Manager of the Year

Euroweek Asia 1999

Best Deal of the Year - EGAT

Euromoney 1998

Best Arranger of Project Finance Loans #2 Arranger of Energy Finance Loans

Finance Asia 1998

Best Eurobond Deal of the Year — EGAT

Deal contributing most to the development of Asia's debt markets — EGAT

International Financing Review 1998

Deutsche Mark Bond of the Year – KPN

Deutsche Mark Bond House of the Year

Dutch Guilder Bond of the Year – Réseau Ferré de France

Dutch Guilder Bond House of the Year

Eurobond House of the Year

European Equity Issue of the Year – Koninklijke Ahold – ABN AMRO Rothschild

European Project Finance Loan House of the Year

IFR Asia 1998

Thailand Loan House of the Year

LatinFinance 1998

Best Deal of the Year - Republic of Argentina

Petroleum Economist 1998

Best Capacity in Arranging Project Finance Facilities

Best Knowledge of Energy Financing in Emerging Markets

Best and Most Professional Overall Financing Service
to the Energy Sector

Transport Finance 1998

Aircraft Financing House of the Year

Americas Aircraft Deal of the Year – United Airlines





Consumer confidence lifts Kmart earnings

Kmart. the discount stores group, gave further evidence yesterday of how US retailers are being buoyed by the irrepressible American consumer. Its fourth-quarter earnings rose from \$186m to \$353m as its stores were redesigned to bring customers in more frequently.

Three in four of the retail-

fourth-quarter results have beaten analysts' expectations, according to First Call, added, but is forecast to

The favourable economy has not affected all stores equally, however. Ken Perkins of First Call said the average earnings growth from clothing retallers leapt fom 15 per cent in 1997 to 39 per cent for 1998. In the broadline, or diversified, retail segment the growth was 15 per cent, unchanged from 1997.

Growth at specialist retailers that have reported ers, dragged down by Toys R Us, slowed from 19 per cent to 12 per cent last year, he

rebound to 24 per cent in 1999. Retailers that missed out on this growth included JC Penney, the restructuring department stores group, smaller clothing retailers with weaker brands and several shoe retailers. Strong performers have

included Gap, Wal-Mart, and Tiffany, which yesterday reported a 24 per cent earnings rise for the year and resilient growth even in the uncertain Japanese market. Tiffany's shares rose 6 per cent vesterday. Kmart, which is believed

to be pursuing an alliance with a large grocery retailer, has driven through an ambitious store conversion prome to claw its way back from financial crisis.

Almost 1,250 of its 2,161 stores have been converted to the Big Kmart format, and another 586 will be converted this year.

The addition of perishable groceries to the range has persuaded shoppers to visit more regularly. It is also part of a strategy by both Kmart and Wal-Mart, the giants of America's \$180bn try, to encroach on the \$430bn territory of the food Kurt Barnard, president of

said Kmart had "won its place in the sun". The group's report of 5.8 per cent same-store sales growth in February confirmed that the retail rally

was still going strong. "We have very low unemployment, very high new job figures and low interest rates; the price of gasoline is

very low, consumer confi-dence is high, manufacturing activity is rising and house sales are at a record. Mr Barnard predicted that Barnard Retail Trend consumer spending would Report, a forecasting firm,

continue to rise for at least six months. Analysts said the conditions were also favourable for further consolidation in retailing. Late on Tuesday, Jones

Apparel, a women's clothing group, announced a \$1.4bn takeover bid for Nine West, a shoe retailer that has suffered from weakness in the footwear market.

New push for late trading by individuals

The drive to expand US equity trading hours for individual investors took a step forward yesterday, as Eclipse Trading, an electronic communications network based in New York. announced a subscriber partnership with Madoff investment Securities and Discover Brokerage, the online trading division of Morgan Stanley Dean Witter.

The agreement is unique in that when the new system launches this summer, it is expected to give individual investors the first major access to after-hours stock trading in much the same way that Instinct, the ECN owned by Reuters, allows institutions to trade after the market has closed.

Eclipse is now in talks with other firms and expects at least three more brokerages to sign on by its launch. Eclipse's after-hours trading system, known as IndivEX, will initially allow trading in stocks between 6pm and 9pm in an attempt to funnel order flow and raise liquidity in its early stage. As many as 200 large Nasdaq-listed

stocks are expected to be available through the sys-

The new system, however,

including the need to have sufficient liquidity to allow orders to be processed. In addition, Nasdaq and the New York Stock Exchange are said to be in talks to expand their own trading hours. Demand from individual traders, however, appears to be strong.

Customers of online bro kers are clamouring for access to after-hours trading," said Alan Alper, analyst at online research firm Gomez Advisors.

As many as 40 per cent of orders are placed after the New York markets have stopped trading, a period when many announcements. including companies' earnings results, are released, said Mr Alper.

"What we have done is take into account the special needs of individuals trading after hours," said Michael Satow, president of Eclipse. Orders will be limited to no more than 5,000 shares per order per side of a transaction.

In addition, safeguards have been put in place to combat market manipulation by large investors.

Eclipse was founded in 1997 by two former lawyers at the Securities and Exchange Commission, the main US stock market regufaces a series of obstacles, lator.

Goldman seeks end to testing time

By Tracy Corrigen in New York The transition of Goldman Sachs from investment banking partnership to public company was always destined to mark a period of unprecedented change for the elite Wall Street firm. But the dramatic twists along the path to its initial public offering have proved testing for a firm which has prided itself on the strength and stability of its culture.

Jon Corzine, who endorsed the plan to go public amid opposition from some of his most senior colleagues, has already abdicated his position of co-chief executive officer. Though he remains chairman, he is likely to leave the firm shortly after chev of Goldman," remarked

The rise of Hank Paulson, now co-chairman and sole chief executive officer, is seen by many in the firm as symbolic. Mr Corzine came from the trading side of the business, while Mr Paulson is an investment banker Some say that Mr Corzine

has carried the can for the poor performance on the bond trading side of the business amid market turmoil last year, arguing that he had allowed the firm to become too involved in proprietary trading. But there were also personal management differences at the top of the firm, which as a partnership has to be managed by consensus. While Goldman, like many Wall Street firms, reduced its market exposure in the wake of last autumn's market turmoil, it

dual strength in investment banking and trading. the market turmoil, the res-

cue of hedge fund Long-Term Capital Management, in which Mr Corzine and Goldman played key roles, and then the shelving of the IPO - have undoubtedly taken their toll. Competitors harbour hopes that the manically driven investment bankers of Goldman Sachs may have

tine image dented. "On an absolute basis, Goldman doesn't look as good as it did, but then neither does Merrill Lynch." said one analyst, citing problems at Merrill over its internet strategy and, like Goldman, a poor performance in

been distracted and its pris-

half of last year. Goldman still tops the global mergers However, the saga of the and acquisitions league last year - the IPO debate, tables for the first two months of this year, according to Securities Data. However in global debt underwriting rankings it has slipped to sixth place in the first two months, from third in the same period a year ago with a market share down from 8.8 to 5.7 per cent.

. In the light of all this ending a period of uncertainty by bringing the IPO as soon as possible in relatively favourable market conditions, seems desirable, despite the lower valuation the firm will gain due to the broad fall in valuations in the sector and the fourth quarter's slip in earnings. Even at a discount to the

Lynch and Morgan Stanley Dean Witter, the firm is likely to be valued at more than \$20bn. And by the time Goldman comes to the market, it hopes to have a second strong quarter of earnings under its belt, which should help whet investors' appetites. According to one analyst

investors who want to play the globalisation of investment banking will welcome the chance to diversify then investments in Merrill and Morgan Stanley. Though the latter is riding high, investors would not want to have all their eggs in one basket, the analyst said.

Furthermore, while stock market valuations are below their peak last year, "the market is robust and consensus estimates are moving multiples enjoyed by Merrill up", said Sallie Krawcheck,



an analyst at Sanford C Bernstein, who believes there is still some upside for stment banking stocks. "Goldman seems to have slipped," says Raphael

Soifer, financial services analyst at Brown Brothers Harriman. But it is "still a top three firm in a business in which it is very important to be a top three firm".

MCI and Bell Canada forge alliance

By Scott Morrison in Toronto and Richard Waters in New York

MCI-WorldComt the UStelecommunications group, and Bell Canada, the Canadian carrier, have formed an alliance to provide custom-

Some telecoms analysts speculated the move could lead to greater integration

between the two companies. Under the agreement announced yesterday, MCI will route its Canadian traffic through Bell Canada, a wholly owned subsidiary of BCE, the country's largest telecoms group, while Bell will source its non-Canadian customer requirements from its US partner.

The agreement, to become effective in early 2000, replaces an alliance between MCI WorldCom and the Stentor group, the BCE-led alliance commised of Canada's regional telephone companies. The alliance all but dissolved as members jockeyed for dominance in the deregulated Canadian mar-

The alliance strengthens both companies' competitive positions across the US-Canada border, the world's largest business telecoms corridor. BCE has been seeking a US partner to develop its North American and global capabilities, while MCI wanted to secure a part ner through which it could provide its On-Net services

MCI has been among the most aggressive international carriers in building facilities to handle traffic for its big corporate customers. It has built local networks in European business centres and owns a 44 per cent stake in Mexico's Avantel.

MCI said the Bell Canada alliance had not been formed as a forerunner to an eventual equity investment in the carrier, although one source familiar with BCE said the Canadian company had not ruled out an equity sale to a US carrier.

"Our primary desire is to

own assets 100 per cent, but

there are regulatory or busi-

ness reasons why we can't always do that," said Walter Schonfeld, senior vice president at MCI. Canadian regulations, he added, "are not yet as friendly as they might be to foreign ownership of assets", and MCI had "a fairly substantial need to get into the market quickly", Industry observers said it was probably only a matter of time before regulators

relaxed foreign ownership restrictions. But it has been argued that Jean Monty, BCE chief executive, wou<u>ld</u> not be willing to relinquish control of the company.

LIFE SCIENCES Monsanto rises on report of talks with DuPont

Shares in Monsanto, the US life sciences group whose interests range from agricultural genetics to pharmaceuticals, rose \$2% to \$46% after a US newspaper report that the company - which last year failed to complete a \$70bn

NEWS DIGEST

merger with American Home Products - was having pre-Ilminary discussions with DuPont, the US chemicals group. There have been suggestions since late last year that the boards of both Monsanto and DuPont had approved the opening of exploratory merger discussions, although neither company has provided any official confirmation. Both again declined to comment vesterday.

But analysts have remained sceptical that a deal would be done - partly because of the difficulty of valuing some personalities involved, coupled with Monsanto's individualistic corporate culture. Many pundits believe that similar issues were a significant factor behind the collapse of the AHP deal. The New York Times report itself said that unnamed executives who had been briefed suggested that

the talks might go no further. Nevertheless, DuPont is thought to be looking for acquisitions, after deciding to shed its Conoco oil business and stating its desire to expand on the life sciences side. On the agricultural genetics side, it has already invested about \$1.7bn in a broad technology alliance with, and a minority stake in, Pioneer Hi-Bred, the largest seed com supplier in North America and business rival of Monsanto.

Monsanto is smaller than many of its competitors in both pharmaceuticals and biotechnology. Although the company has said repeatedly it believes this potential disadvantage can be addressed by joint ventures and partnership arrangements, access to larger financial resources and a bigger distribution network were seen as solid reasons behind the AHP merger plan. Nikki Tait, Chicago

MEXICAN RETAILERS

Heavyweights bid for Salinas

Two of Mexico's leading retailers are vying for control of Grupo Salinas y Rocha, a bankrupt retail chain put on the auction block on Tuesday. Ricardo Salinas Pliego, owner of Elektra, Mexico's largest electrical appliance chain, wants to regain control of the group founded by his great grandfather at the beginning of the century.

He is up against another Mexican heavyweight, Grupo Carso. Headed by Carlos Slim Helú, Mexico's richest man, the conglomerate has ownership stakes in Mexico's telecommunications giant, Telmex, and several shopping centres and retail companies. Carso owns Sanborns, a local chain of department stores and restaurants and in 1997 bought out the foundering Mexican division of Sears, the

The winner of the tender, expected to be announced on Friday, will assume an estimated \$100m in debt as well as a steadily deteriorating balance sheet. Salinas y Rocha, which has 86 furniture and appliance

stores and 10 department stores, announced a 13 per cent drop in sales for 1998 and a 35 per cent decrease sales in the fourth quarter. In a move to clear the way for the upcoming sale, the board of directors announced the removal of several executives from leading management positions in Salinas y Rocha. Andrea Mandel-Campbell, Mexico City

ALUMINIUM

said. Nikki Tait

Reynolds hit by low prices

Reynolds Metals, the US aluminium producer, vesterday warned it would probably only break even in the first quarter of 1998 because of the low level of aluminium prices. The current London Metal Exchange price estimate for the quarter of 55 cents a pound is 13 cents lower than the year-ago quarter," it said yesterday, noting that in the 1998 quarter it made \$58m.

This is an all-time low, adjusted for inflation . . . while Reynolds expects to offset part of the effect of low prices with improved costs, lower interest expense and higher value-added primary aluminium sales, operating earnings for the first quarter will be about break-even," it said. But the company also said that it hoped that it would

still be able to match last year's performance during 1999 overall, assuming that prices are more favourable in the next nine months. "Later in the year, we will benefit from increased sales of our packaging and consumer products, with the fourth

quarter being the strongest due to the holiday season," it

The 12th Annual Industrial Manufacturing Conference

Schroders would like to thank the following participants:

AlliedSignal Inc. ALSTOM

Amcast Industrial Corporation Applied Power, Inc.

Armstrong World Industries, Inc.

Arvin Industries

Astec Industries, Inc. **Atchison Casting**

B E Aerospace, Inc.

Borg Warner Automotive BTR Siebe

Case Corporation

Channell Commercial Corporation Chart Industries Inc.

Columbus McKinnon Corporation Crane Co.

Dana Corporation

Danaher Corporation Deere & Company

Delphi Automotive Systems

Denison International DT Industries

Eaton Corporation

Fastenal Company Finmeccanica

Flowserve Corporation Fluor Corporation

Granite Construction Inc.

Foster Wheeler Corporation Gerber Scientific, Inc.

The Greenbrier Companies

Hanson Hardinge, Inc.

Harnischfeger Industries, Inc.

Harsco Corporation Hawk Corporation

Honeywell Inc. Howmet International, Inc.

IDEX Corporation Ingersoll-Rand Company

Jacobs Engineering Kaydon Corporation

Lear Corporation Leggett & Platt, Inc.

Magna International Magneti Marelli

The Manitowoc Company Masco Corporation

McKechnie Metallgesellschaft

Milacron Inc. Morrison Knudsen Corporation MotivePower Industries, Inc.

MSC Industrial Direct Co., Inc. Navistar International Corp. New Holland

OmniQuip International Oshkosh Truck Corporation **Owens Corning Corporation**

Railworks Corp. Regal-Beloit Corporation Robbins & Myers Inc.

Precision Castparts Corp.

Pentair, Inc.

Rockwell International Corp. Roper Industries, Inc.

Smiths Industries SPX Corporation

Scotsman Industries

The Stanley Works Terex Corp.

Textron, Inc.

The Timken Company Titan International

Trinity Industries TRW Inc.

Tyco International, Inc. United Dominion Industries, Ltd. United Technologies Corporation

UNOVA, Inc. USG Corporation Varien Corporation

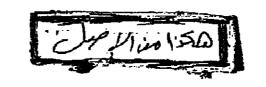
Vulcan Materials WABCO Watsco, Inc.

Wolseley

Wyman-Gordon Company Parker Hannifin Corporation

or more information cal Paul Mulling

Semples



push for trading dividuals

n rises on report

with DuPont

FINANCIAL TIMES THURSDAY MARCH 4 1999

IF YOU WANT TO SEE SOMETHING done, just tell some human beings it can't be done. Make it known that it's impossible to fly to the moon, or run a hundred metres in nine-pointnine seconds, or solve Fermat's Last Theorem. Remind the world that no one has ever hit sixty-two home runs in a season. Stuffed eighteen people into a Volkswagen Bug. Set half the world free. Or cloned a sheep. Dangle the undoable in front of the world. Then, consider it done.

HUMAN ACHTEVEMENT

Merrill Lynch

Me by low prices

THE DY

Hino to cut 10% of white-collar staff group

Hino Motors, the leading Japanese truckmaker in which Toyota has a 20 per cent stake, is to cut nearly 10 per cent of its white-collar workforce by encouraging workers to retire early or firing them if necessary.

The move will cut 400 of the 4,500 administrative staff, and marks a significant departure from earlier plans. It is the first time

cost-cutting plans. Until now, job cuts at most

Japanese companies have involved transfers to subsidiaries or affiliates, or early retirement programmes. Hiroshi Yuasa, Hino president, said in an interview with the Nihon Keizal newspaper that he would dismiss workers if the number of

staff that volunteered for

early retirement did not

However, the company

meet company targets.

said it would resort to dismissals only if other measures failed to achieve results. "We have said repeatedly that we will take every possible measure to generate a profit next year, and dismissals are the last of

those measures." Hino also warned that losses in the fiscal year ending this month would be larger than the Y9.2bn (\$76.5m) forecast last October. At the interim stage, parent net losses had bal-

looned to Y21.4bn, against year to their lowest levels profits of Y2.86bn last time. The job cuts are the latest in a series of measures Last month, Hino said it would merge its production

and sales operations in October to lower costs. Hino's moves underscore the problems facing Japanese truck manufacturers amid the prolonged domestic recession and the Asian economic crisis. Truck sales

since 1977 as companies cut capital investment to offset declining profitability, leavunveiled in recent weeks. ing the industry with heavy overcapacity and growing

inventories. The Japanese government has been providing financial assistance to truckmakers to cover the costs of keeping underutilised workers on the payroll.

Shares in Hino surged per cent, or Y19, to close at

plunged 20.1 per cent last Ayala plans to issue new class of shares

Ayala Corp, the blue-chip Philippine conglomerate: has surprised the country's financial markets with a plan to issue a new class of shares with voting rights less than existing ordinary

stock. Avala said vesterday its board had approved the issue of up to 300m of the new shares - called Common X shares - although it made clear it had no immediate plans to do so.

At current rates, the shares would be worth 39bn pesos (\$1bn). The company's authorised capital would also be expanded from 17bn pesos to 20bn pesos. The X shares will be the

equivalent of 10 normal

shares, but will carry only one vote. Ayala said this would allow the company to raise

funds from international investors without breaching a regulatory ceiling on foreign ownership of the company's common equity of 40 oer cent. Currently, the company is

about 30 per cent owned by foreign investors. Analysts said the move ily to raise capital while meeting scheduled on April minimising dilution of its 58 23.

per cent stake in the con pany, allowing it to retain control of the conglomerate. Matthew Sutherland, head of research at Paribas Asia, said the move would significantly increase liquidity and free float in the com-

The board believes that the Common X shares will give the company the flexibility, over the long term, to raise additional equity capital from the international investment community, Avala said in a statement.

The current economic situation has created significant opportunities for those with access to capital resources. The company intends to position itself to be able to take advantage of potential strategic opportunities that may arise in the near future.

Ayala's board also approved a 20 per cent stock dividend, granting shareholders of record at May 14 two new shares for every 10 shares held. The dividend will be paid

The company will seek shareholders' approval for

most leading exploration and production companies. Nevertheless, the assets amounted to about Bt186 a share, far below yesterday's closing share price of

NEWS DIGEST

THAILAND

Thai oil

back in

By Ted Bardacke in Bangkoi

Exploration and

Production, the listed

upstream unit of state-

owned Petroleum Authority

of Thailand, said yesterday it

recorded a net profit of

Bt2.31bn (\$61.5m) in 1998,

compared with a loss of

The profit was largely

explained by a foreign

exchange gain of Bt3.01bn,

from the strengthening of the baht during 1998. A

foreign currency earner. PITEP has most of its debt

in hard currencies and the changes in the value of that debt is shown as income or loss on the balance

Some analysts expressed

eservations that without

the foreign exchange gain.

the company would have

posted an operating loss.

particularly on the back of

49 per cent increase in

expenses. Revenue was up

60 per cent on the year to

PTTEP said the increase in

expenses was due to

exploration and exploration

well write-off expenses from

new blocks in the Gulf of

Thailand - which analysts said more than doubled in

1998 – as well as interest

expenses on an outstanding

and/or minimise its capital

spending on projects that

have no sale agreement. It

will emphasise low-risk and

high-return projects such as

those already under

Total assets at the end of

This was lower than

expected but was due to the

company switching to the

accounting standard used by

international

1996 were Bt44.88bn, up 9 per

production," PTTEP said.

cent on the year.

IAS-69

"The company will delay

Bt12.25bn.

Samurai bond.

Bt3.31bn the year earlier.

black

Debt-laden TPI companies return to profit

TPI Group, the debt-laden Thai petrochemicals and cement conglomerate, said yesterday its two main units both posted net profits in 1998, but both companies were still showing operational losses and seeking to finalis debt restructuring agreements with creditors.

Thai Petrochemical Industry said it made a profit of Bt22.21bn (\$588m) in 1998, compared with a net loss of Bt69.26bn the year earlier. With foreign exchange gains of Bt24.52bn, Thai Petrochemical showed an operating loss of Bt2.31bn, slightly better than analysts' expectations. TPI Polene, the cement arm, made a net profit of Bt7.73bn in 1998, against a net loss of Bt26.09bn in 1997. With foreign exchange gains of Bt9.49bn, TPI Polene showed an operating loss of Bt1.76bn, in line with expectations.

Both Thai Petrochemical and TPI Polene have moratoriums in place on about \$4.5bn of debt. That Petrochemical is close to an agreement on restructuring its debt and is likely to resume interest payments later this year, while TPI Polene is not. Ted Bardacke, Bangkok

SOFTWARE SERVICES

Stan Lee links with Pentafour

Stan Lee, creator of comic-book superhero Spiderman and former chairman of Marvel Entertainment, yesterday announced a strategic tie-up with Pentafour Software India's biggest multimedia company, in the latest sign of the growing cross-border trade in IT services between India and the US.

Pertafour will create content for Stan Lee Media ven-tures in television, film, internet, comic-books and video games - including plans to develop a portal site for teen agers featuring superheroes who derive their powers from the internet. It said it was too early to put a value on the forthcoming contracts. "We were looking for a-partner to produce high quality animation . . . for different mediums and still be cost-effective. We don't see much of that in the industry currently," said Mr Lee.

Last month Pentafour announced a deal with New Media Venture Partners to create animated content for a new feature film by Christopher Kain, director of Young Guns. The contract will be worth \$30m to \$50m.

"Pentafour is creating strategic partnerships with pioneers in the global entertainment community to create world class products," said V. Chandrasekaran, chairman of the Indian group. Like many of its half-sisters in India's booming software services industry. Pentafour is growing rapidly. Revenues for the first nine months of the current financial year were up 92 per cent at Rs3.5bn (\$148.7m). Krishna Guha, Bombay

HONG KONG

Bear Stearns

zhou H shares. Bear Steams also advised the SEHK of what had occurred with a full written and oral apology.

Colonial on look-out for more acquisitions

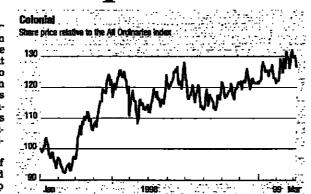
By Gwen Robinson in Sydney

Colonial, the Australian banking and insurance group which last year spent more than A\$2.2bn to acquire the Australian operations of UK insurers Prudential and Legal & General. said yesterday it was searching for further acquisitions in the UK, Australasia and Asia.

The rapid absorption of the UK acquisitions helped drive Colonial's net profit up 35 per cent in the year to December to A\$306m (US\$190m), above expectations. The group also acquired the Hong Kong unit of the UK's Guardian Assurance, and last month said it would buy the Asian and UK businesses of US-based funds manager Nicholas-Applegate as well as a 51 per cent stake in National Bank of Fiil.

The group's international expansion plans were also helped last year by China's decision to grant Colonial a licence, the first for an Aus-

Colonial's rapid expansion insurance and financial services group, which last year acquired Henderson, the UK fund manager, National Provident Institution, also of the UK, and 57 per cent of GIO Australia, a general



"Colonial achieved a significant increase in size and market position during the year as a result of a number of major acquisitions, and the group is effectively unlocking the efficiencies of scale." said Peter Smedley, managing director.

Revenue growth was driven by the group's increased scale, and the success of its "allfinanz" approach, Mr Smedley said. As a result of the mergers and acquisitions, Colonial in 1998 almost rivalled the generated cost savings of aggressive expansion of more than A\$90m by the end AMP. Australia's largest of 1998, more than double the level of savings it had expected.

Most of the group's profit growth stemmed from insurance and superannuation in Australia, which earned A\$87m in 1998 compared with A\$30m the previous 1997.

year. Colonial said it had used its newly acquired distribution channels to crosssell banking, insurance and funds management products. and aimed to cross-sell to 20 per cent of its expanded customer base by the end of 1999, up from 15 per cent last

Colonial's Australian financial services unit, including insurance, superannuation and banking operations, achieved a profit of A\$212m, up from A\$154m in 1997, including contributions from the merged busi-

Excluding Legal & General and Prudential's contributions in the second half of the year, the Australian insurance and superannuation result was A\$14m or 45 per cent higher than in

on June 23

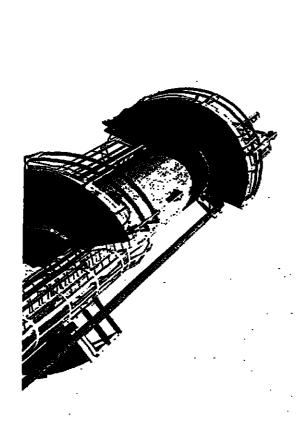
the creation of the new shares and the stock diviwould allow the Ayala fam- dend during the annual

Bear Steams points out that, with regard to the initial public offering for Yanzhou Coal Mining (February 12), the Stock Exchange of Hong Kong noted that it was Bear Steams' compliance department that identified the problem and took immediate action to stop purchases of Yan-

Do you remember how happy you were as a child when you made a good swap?

We would like to offer the holders of our bearer shares a swap to remember. For years we have been conducting successful capital measures. Our next target? Only one type of Munich Re share on the stock market, producing more transparency and making our shares more attractive. The way there: you give one bearer share and DM 247.00 (=126.29 auros) and in exchange you will receive two new registered shares. You will then own a DAX equity of international standing. And can enjoy the fact that you have made a good swap.

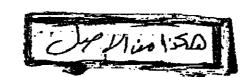
The Munich Re registered share. The security, Exchange your bearer shares for registered shares between February 17 and April 1, 1999.

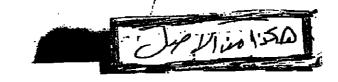




Münchener Rück Munich Re Group







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profit

THE WALL

By Christopher Price Psion is to launch a strategic review of its business centred on its Symbian wireless technology venture amid evidence that its traditional palm-top computer market is stagnating. The move came as the

company warned that further funding of Symbian, formed last year with Nokia. Motorola and Ericsson, the dominant makers of mobile ·· telephone equipment, would "significantly" affect profits in the coming year. Symbian is developing an operating standard for wireless devices

Schroders upbeat despite .5% drop

> By Jane Martinson, Investment Corresponds

Schroders, the investment banking and asset management group, made an upbeat statement about its prospects yesterday despite announcing a 5 per cent drop in pre-tax profits.

Win Bischoff, chairman of the UK's largest independent investment bank, said: "We ol don't have aspirations to be san all-singing all-dancing global business but we think there is enormous potential for the future." He said growth areas included international asset management and merger advisory work in continental Europe.

Pre-tax profits fell from £245m to £232m (\$371m) last vear after the group made a £43m provision against bad debts in Asia. Underlying pre-tax profits rose £6m to £275m.

Mr Bischoff said stock market turmoil after the Russia crisis last year had been "frightening". "There was a terrific opportunity in the second half to lose money," he said. "With that background, we are really quite pleased about what we achieved in 1998." First half profits of £166m fell to £109m in the second.

Profits from the group's investment banking business rose 11 per cent to £128m (£115m) before provisions largely as a result of advising on several European mergers. A fifth of investment banking revenues came from transatlantic deals.

The group's three-year-old securities business also made a "meaningful contribution", said Mr Bischoff, Higher costs and lower margins hit Schroders' asset

management business, where profits fell 4.5 per cent to £147m (£154m). The decline came despite an 11 per cent increase in

funds under management to £119m at vear-end. Net new business from UK, US and Japanese pension funds provided £5bn of that increase. David Salisbury, head of the asset management business, said heavy investment

in staff and systems had

raised costs. In addition, gross sales by the group's higher margin unit trust business had fallen from a record £1bn to £600m in the year. Falling markets in Asia and other emerging markets had hit

Shares rose 16p to 1280p in an illiquid market.

Lyles (S)

Psion to review its Symbian business using Psion's computer oper- just £500,000 (\$800,000) in group's card modem busi- already being seen in the look to specialise its range of ating system.

The increased investment costs are in addition to a downturn in revenues from the total to £23.3m. Sales Psion's Datacom software rose 13 per cent to £159.9m. business, which the group warned of two weeks ago. However, David Potter,

chairman, said Symbian £54.1m. Net assets rose 80 "was a watershed" in Psion's per cent to £93.8m. evolution. "The coming year will be one of investment David Levin, the company's new chief executive.

after Psion reported a rise of were strong gains at the

profits to £11.9m. An exceptional gain of £11.4m took

Investments from Symbian partners led to a more than doubling in cash balances to

The results were the first time since 1984 that reveand laying the foundations nues from Psion's consumer for future growth." he said. computer business fell below The review is being led by half the group total. In 1997, they accounted for 64 per cent of revenues, but fell to Mr Potter was speaking 48 per cent last year. There

underlying annual pre-tax ness and industrial handheld computer division.

COMPANIES & FINANCE: UK

Mr Potter said it was the success of the rival Palm Pilot organiser which had caused a 16 per cent decline in Psion palm-top sales.

However, he believed the launch of new Psion computer products in the second half of the year would see a revival in the division's for-

These would be driven by developments in wireless technology and underpinned by Symbian technology. The convergence of mobile phones and organisers is believed the company will

consumer and business mar- products around electronic kets, and Psion would be positioning itself in this space, Mr Potter said.

He refused to comment on where the strategic review might take the company he founded in 1980, although he said Psion's future "lay in solutions", through partnerships, acquisitions and organic growth.

But analysts suggested that Psion's software and ideal choice for on-line content carriers, such as America Online. They also of Symbian in 2002, he

Allied has explored

options with most of the

likely candidates, including

Seagram, but no deal has

Many analysts see the

arrival of Philip Bowman as

finance director as evidence

that change is on the way.

Mr Bowman, a former Bass

finance director, was chief

executive of Australian

retailer Coles Myer where he

acquired a reputation for

making tough decisions. He

has been taking a hands-on

approach to sorting out the

to suggest he is a chief exec-

utive-in-waiting for a

demerged retailing division.

demerger is a matter of prag-

matism rather than princi-

ple. "Retailing and spirits

Mr Hales says only that

been concluded

mail and messaging services.

Mr Potter said the group's strong balance sheet would be used to fund investment and make acquisitions. Mr Levin said his financial background specialising in acquisitions and integrating them, would be brought to bear at Psion.

Sales of products using Symbian are expected to reach seven figures, accordproducts would make it an ing to Mr Potter, by 2001. Licence revenues from these could then lead to a flotation

Dawson focus on cashmere

By James Buxton, Scottish Correspondent

Dawson International, the lossmaking textile group that owns the Pringle knitwear brand, said yesterday it was pinning its hopes of recovery on its core business of making and selling cashmere garments. It intends to sell its other businesses when it can get the right

The company said it would focus on its strengths as a cashmere producer, with production in China and the US, spinning in the UK, marketing in the US, and the Ballantyne garment brand in Scotland.

Dawson announced its new strategy yesterday as it unveiled pre-tax losses of £30.6m (\$49m) for the 52 weeks ended January 2 1999, which included £19.6m exceptional charges. This was against pre-tax profits of £10.9m for the 40 weeks to January 3 1998 - for the 52 weeks to that date pro-forma profits were £10.2m. The company blamed the drop in sales to £211.9m, compared with £237.3m for 40 weeks and £274m pro forma, on "hostile" trading conditions in all its markets. No diviCOMMENT

Schroders

Schroders

110

Share once relative to the

FISE All-Share index

Does Schroders need another efficiency drive? If the latest results are anything to go by, the answer is yes. But how about about one that actually works? After all, in 1996, the investment bank declared war on costs after they devoured an "unacceptable" 76 per cent of income. Three years and oneefficiency drive later, the cost to income ratio

is unchanged. Schroders says rising costs are inevitable when, as now, it is expanding the business. The headcount rose by 10 per cent last year as the bank some Outer increased its presence in

Europe and Japan. Win Bischoff, chairman, has promised recruitment will slow this year. But this will only lead to higher profits if the bank's new far flung subsidiaries cover their overheads quickly.

Mar

1998

The biggest worry for investors is that Schroders could fall into the trap that ensnared SG Warburg: allowing costs to spiral out of control through misguided expansion. To be fair it seems aware of the risks. Given its dominant position in fund management and corporate finance, Schroders needed to expand overseas to continue growing.

Nonetheless, the bank does not want to try investors' patience too much. Its sliding profitability is a worry. Stripping out the highly profitable fund management division, returns in the investment banking division are 10 per cent -roughly the same as Schroders' cost of capital. Mr Bischoff needs to demonstrate he can do better than that, and fast.

UK interest rates

The party is not quite over. But the trend in UK interest rates looks less certain after the Bank of England's monetary policy committee left them unchanged yesterday. The pause - after five consecutive cuts - was wise. For one thing, there are signs of life in the UK economy. Growth remains weak but forecasts are no longer coming down, and business confidence has stopped falling.

Nonetheless, the trend in intererst rates probably remains downward. Nothing has happened that might place at risk the Bank's 21/2 per cent inflation target. Indeed, average earnings are moving in the right direction, having fallen back from their 5.7 per cent peak last May to just 4.5 per cent, according to the new improved data. In the absence of inflationary pressures, this should be merely a pause in the downward march.

Parity eyes US buy

Parity, the IT consultancy cash generative. It had £10m and services company, is (\$16m) in the bank and a furlooking for an acquisition. probably in the US, to bolster its growing IT solutions business.

Announcing a 48 per cent said the company was highly an IT staffing agency.

ther £15m of facilities available. Profits for 1998 were ahead of forecasts at £20m (£13.5m) on turnover of £290.2m (£202.1m). The comjump in 1998 pre-tax profits, pany has two core divisions: Philip Swinstead, chairman, an IT solutions business and



Banco Comercial Português

BANCO COMERCIAL PORTUGUÊS, S.A.

General Meeting of Shareholders CALL NOTICE

convene the shareholders of Banco Comercial Portuguës, S.A., a fimited liability company registered under number 40 043 in the Oporto Register of Commerce, with registered office at Rus Júlio Dinis, 705-719k, in Oporto, with the paid up capital stock of PTE 196,969,000,000, to attend the General Meeting to be held at 15:00 on March 24, 1999, at the "Palécio da Bolsa", in the city of Oporto, with the following agenda:

- To resolve upon the business report and accounts of Banco Comercial Português respecting the year of 1998, as well as upon the consolidated business report and consolidated accounts respecting the same year.
- To resolve upon the proposition of application of year-end results;
- To effect the general analysis of the management and auditing of the company with the amplitude foreseen in the law, namely in subparagraph c) of paragraph 1 of article 376 of the Companies
- To resolve upon the suppression of the pre-emption rights of the shareholders related to increase of the share capital in cash to be resolved by the Board of Directors of the Bank to support a programme of stock options and consequent offer for subscription; To resolve upon the redenomination into curos of the issued shares of the Bank as well as the
- ent modifications of denomination and of its share capital, by incorporation of reserves, amendment to the by-laws (article 5 of the by-laws) and reflex in convertible securities;
- 6) To resolve upon the increase of the share capital, namely the increase of up to EUR 1,969,690 by incorporation of share premium reserves, through the increase of the unitary nominal value of the d shares to EUR 5, the consequent amendment to the by-laws (article 5 of the by-laws) and
- To resolve upon the amendment to the by-laws, namely the modification of articles 5, 7, 8, 8-A, 10, 13, 18, 23, 28-A and 34, and reflex in convertible securities;
- 8) To resolve upon the election of members to the Senior Board: To resolve upon the acquisition and sale of treasury shares;
- 10) To resolve upon the acquisition and safe of treasury bonds.

The propositions to be submitted to the General Meeting by the Board of Directors, the reports that must legally go with them and the other preparatory information elements are available to the shareholders at the registered office of the company since the legal date. As an essential condition for attendance to the meeting, the shareholders must prove, by admissible legal

has in essential contained to assistance or the fifteenth day before the date scheduled for the meeting, and keep them in such condition until the termination date thereof. Each PTE 100,000 of capital corresponds to one vote, the shareholders being entitled to be represented by proxy, as well as the holders of fewer than 100 shares to aggregate their interests, in all remaining being applicable the terms and limits of the law end of shares to aggregate their interests, in the bylaws, namely its article thirteen.

Oporto, February 8, 1999

The Chairman of the General Meeting of Shareholders

(Luis Francisco Valente de Ofiveira)



10.3

Arriva

acquires

Mr Davies joined Arriva in December - at the end of a year when the group issued two profits warnings after problems at its car leasing business. Arriva already has presence in Denmark through its Unibus subsidiary which operates buses in Copenhagen and Jutland. The acquisition will include the assumption of £25.2m of Bus Danmark debt. Bus Danmark made an operating profit of £2.3m on turnover

of £84.9m in the year to

December 31.

ARGENTARIA

Ordinary General Meeting of Shareholders

Notice is given hereof that an Ordinary General Meeting of Shareholders of Argentaria, Caja Postal y Banco Hipotecano, S.A. ("Argentaria") will be held at Pabellón de Cristal de la Feria del Campo, calle de las Aves s/n, Casa de Campo, Madrid, on March 13th, 1999 at 12:00 p.m. The Agenda which will be submitted to the said A.G.M. for review and approval is available on both our web site (http://www.argentaria.es/junta) and through Argentaria Investor Relations Dept. (please, see con-

tact information bellow), both in english and in spanish. An announcement has also been be published, as contemplated in article 97 of the Consolidated Text of the Companies Act in Spain, in the Official Gazette of the Commercial Registry and in a newspaper of wide

We remind shareholders that they can execute their voting rights by instructing their custodians and/or their proxy voting agencies to process their proxy votes via their local custodian or agent in Spain.

Should any shareholder require or need further information relating to this A.G.M., please contact us ar Argentaria Investor Relations Telephone: +3491 5373761 Face +3491 5378512 inversores@argentaria.es. www...argentaria.es

ARGENTARIA. Paseo de Recoletos, 10. 28001 Madrid Spain. C.I.F.: A-80041106

A game of two halves with all still to play for after a good autumn run As soon as the spirits group gets it right, He concedes that the pub performance is disappointing large spirits producer such the pubs side can shift to let it down . . . - not least because it was as Seagram to provide the benefits of scale that Diageo unexpected. hopes to enjoy.

John Willman investigates Allied Domecq

ootball, as the pundits prospects for the business. like to remind us, is a the same can apply in the business world, where he is chief executive of Allied

Like the team he supports. the spirits and retailing to be flattened by the giant through the autumn, its edly good full-year results in

Villa, meanwhile, spent much of the first half of the season leading the Premier-

Villa has lost its form, taking one point in the last five weeks and crashing 4-1 last

Saturday against local rival

Coventry. And Allied's share price has slid back below 500p following a dismal trading statement in January reporting weaker sales in the pubs division and difficulties in Mexico, which provides more than 10 per cent of drinks

profits.

Analysts have launched another round of downgrades to profit forecasts happen in the US, where amid renewed reports of Allied has merged its two shareholder unrest and distribution networks and demands for radical action.

Mr Hales is understandaremains ebullient about the says Mr Hales.

"The pubs had been

like to remind us, is a Allied is also a group of game of two halves, two halves, and while the Tony Hales, director of retailing division has stum-Aston Villa, has found that bled, the drinks division has Mexico aside - outperformed most of its large competitors. "The question a year ago

was whether we were going group had a good run Diageo steamroller," he says. We remain number two share price climbing to in premium spirits and we almost 600p after unexpect- have two of the five fastestgrowing brands in Sauza tequila and Kahlua liqueur.

The latest figures from Impact International, the industry newsletter, show sales growth of 1.5 per cent Both have seen their for- last year - the second-hightunes wane in the new year, est among the top 10 spirits producers

> And volumes at Diageo the world's largest spirits group formed in 1997 by the merger of Grand Metropolitan and Guinness - shrank by 0.8 per cent. In Europe, Allied raised

> profit by 10 per cent last year by streamlining distribution of products such as Ballantine's Scotch whisky and Beefeater gin, and by focusing marketing efforts on the most promising brands in each country. The same is now about to

created a single head office. "We're applying the marketteam's position - but he we've learned in Europe."

recording steady growth in the first nine months of last year, with a kick-up at the World Cup where we were well-organised with our promotions. Our Firkin chain is particularly good for bigscreen television events. with plenty of standing "September was dull. Octo-

ber a bit worse and November didn't look very good. We expected an improvement at Christmas that just wasn't there." pubs division, leading some

teps have been taken to Srebuild sales, with a greater emphasis on food promotions designed to attract more women into traditionally male bastions. The real-ale Firkin pubs will no longer use the sign "Firkin Ladies" on its women's toi-

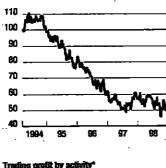
Allied has suffered unduly. Mr Hales reckons, because it was the first to bring out a trading statement and challenge the assumption that trade had picked up at Christmas. Others are less kind. "As fast as the spirits group gets it right, the pubs drag them back," says Alex Oldroyd, drinks analyst at Morgan Stanley.

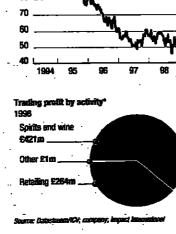
Three years ago it was the other way round, she adds. Like many analysts, she believes separating the two after that man." But, he halves is now the way for- adds, Mr Bowman is not a ward. giving the managebly downbeat about his ing effectiveness principles ment of each better focus. It could also make it easier

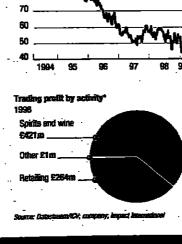
have come together by accidents of history and I can see the benefits of greater management focus." He also points out that many of the obstacles to demerger - such as bonds secured on the earnings of the pub business - have been removed. "We have a lot of strategic freedom to move," he says, "but | dend will be paid (2.75p). there needs to be a positive reason for demerger

And the ambitious Mr Bowman? "He was my choice," says Mr Hales. "I told the headhunters to go man to sit on the status quo for long, "We'll see some quite interesting things in









RESULTS (33.4) (598.4) 25.94 . Yr to Dec 31 530.5 28.3 23.6 40.3 (1,355♥) (666.3) May 14 145.8 (422.681) . Yr to Dec 31 459 (0.95\) 11.4 (14.9)26 May 21 24 0.74 _ Yr to Bec 31 18.4 (17.5) (5.7) 2.9L Yr to Dec 31 ★ 1,760 (1,984) 9.4 (75.9Å) (4.7) 13.3L YrtoJan2 ★★ 222_9 (237.3) 30.6L+ (10.9**.**) 10.55 Yr to Dec 31 3,706 (3,383) 707♥ (406) 80.2 (39.2) 245 (2.3) 1.9 May 12 1.75 (2.974) 6.5t , Yr to Dec 31 86.9 (58.9) 8.31♥ 7.58 4.64 June 1 4.51 17.93 (12.861) (3.816) 277.3 (203.34) Yr to Dec 31 4,681 June 30 (10.4 } 0.301♥ (0.458) (6.09) 6 miths to Dec 31 8.96 2.79 (1.7) 2.6 April 9 1.85 (III) 3 miths to Dec 31 9.86 (4.35) 4.18 (4.9L) Oxford BioMedica Yr to Dec 31 # 0.05 3.58L (2.93L) 3.5L† (0.003) 4,4 6.8 July 1 (13.5) 27.441 (21,04) (202.1) 20 , Yr to Dec 31 290.2 4.29 (3.15) 0.65 July 7 4.62 (2.43) 6 mths to Dec 31 34.5 (18)

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Yr to Dec 31 ★ 687.8 0.1 July 1 0.1 _ Yr to Jan 2 2026 (232.5) 3.3♥ 0.9 0.1 (0.5) _ Yr to Nov 30 11.3 (15.7) 0.0981.♣ (6.68L) (5,421.♠) 0.12L 4.2 (319.7) 46.64 5 ft2.4 1 May 20 4.5 _ Yr to Dec 27 322.5 (6.9) 1.5 Apr 1 1.5 65 (6.3) 7.7 _ 6 miltes to Jan 3 67 (57.1) 7.13 Wates City London _____ Yr to Dec 31 12.60 (10.70) 9.16\$ 0.4 2.73 (6.33) 11 15 125 (48.7) 9.2 66.3 May 28 ... Yr to Dec 31 532.5 (459.6) 88.5♥ (67) Total last Date of City Merchants High........ Yr to Dec 31 169.2 (169.1) 11.58t (12.19) Mar 22 12.25 11**‡** Flessing Mid Cap ____ 6 miths to Dec 31 314.2 (320.2) 0.54 (0.904) 1.35 (2.26)1.55 Apr 1 1.55 5.3 (4.62) 4.3 4.3 Apr 23 3.9 ____ Yr to Dec 31 268.5 (203.8) 4.9 (4.35) 6.85 (11.81) Apr 1 88 **§**§ __ Yr to Dec 31 ## 199.77 (90.21) 7.89 (7.94)

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_ Yr to Dec 31 . 74.3 (101.6)

_ Yr to Dec 31

Yr to Dec 31 ★ 158.9 (142) 23.3♥

__ 6 mins to Jan 31 422.16 (375.04) 0.342 (0.439) (6.79) 3.35* Apr 7 5.29 Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. Whiter exceptional credit.

Earnings shown basic. Dividends shown net. Figures in brackets are for All waters. Shown to make the companions for All waters. written. †On increased capital. ★ Comparatives restated. ★ Comparatives for 40 weeks. \$For 15 months. □ Net rental income.

\$\tilde{\pmathcal{Q}}\text{All increased capital.} \text{\$\tilde{\pmathcal{Q}}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmathcal{Q}\text{\$\tilde{\pmath **TECHNOLOGY** AVALANCHE FORECASTING

Warnings before the fall

Vanessa Houlder

on the early warning systems and gadgets designed to prevent tragedy on the piste

The worst avalanche conditions in the years have tested avalanche forecasting to its limits. A lethal combination of wind, snow, rising temperatures and rain has devastated some Alpine villages for the first time in living memory. But despite the tragedies, the avalanche prediction systems are generally considered to have proved their worth. Indeed, criticisms have tended to focus on the speed at which the warnings

were heeded. "The prevention and protection measures have proved their usefulness," said the Swiss Federal Institute for Snow and Avalanche Research in Davos (SLF) last week. It pointed to its early warning systems and com-puter modelling techniques which have made it possible to anticipate severe avalanche risk and evacuate high-risk areas in advance.

But avalanche forecasting is an inexact science. Progress is held back by its complexity and its relatively poor funding, says David McClung, professor of snow and avalanche science at the University of British Columbia in Vancouver. "It moves slowly. It is a complicated

problem." he says. Much remains to be discovered. In Japan, researchers are studying avalanches using machine-made snow in the world's largest "cryospheric environment simulator". Elsewhere in Japan, archers are studying the dynamics of simulated avalanches created using hundreds of thousands of ping-pong balls. In Switzerland, an artificial test site has been created where pres-

sure gauges and other sensors are used to measure the forces unleashed by ava-

At the microscopic level, researchers are trying to get a better understanding of snow and ice. At Montana State University, researchers are using CT (computed tomography) which creates cross-sectional images from X-ray pictures, to investigate the grain structure and bonding of snow.

But most research is devoted to the prediction and prevention of avalanches in ski resorts. For holiday makers, the most conspicuous sign of this activity is the "bombing" of avalanche-prone slopes to set off controlled avalanches. But behind the scenes, there is also extensive remote computerised monitoring.

In Switzerland. long-standing monitoring system was expanded in July 1996 when the SLF and Swiss mountain cantons launched a network of high Alpine weather and snow stations.

Snow and weather conditions are monitored by a network of about 80 human remote weather stations

ter" to measure the way snow reflects radiation. which indicates the size of the grains of snow. In Switzerland, an acoustic sensor, called FlowCapt has been piloted to measure the movement of grains of ice in the wind, which will help to predict unstable accumulations

Once the information has been gathered from remote

stations, it is usually stored

used to drive computer mod-

forecasting team uses visual-

uses expert reasoning and

For someone caught in an avalanche the odds of survival fall to less than. 50 per cent after half an hour

will soon be increased to 70), providing the national avalanche centre in Dayos with a continuous stream of information.

Currently, the remote automatic stations measure the depth and temperature of the snow, soil and surrounding air, the humidity and the wind speed.

Additional instruments are under development. In Japan, researchers have developed software which snow designed a "spectroradiome-

tor", not least because 90 per cent of all avalanches involvtheir subjects. "In my opinion, the successful methods include human judgment and experience. A lot of models don't," says Prof Certainly, judgment and

one going far off the beaten in a relational database and track. As well as estimating to research in Nature, the the steepness of the slope els. At SLF, the avalanche (most large slab avalanches occur on slopes of between isation tools to help them 25 and 45 degrees) and make sense of the raw data looking out for evidence of as well as the output of the snowdrifts or recent avalanches, people are advised Computer models are to make "snowpits" (by digbecoming more sophistiging down to the first thick cated. Companies such as level of refrozen old snow) to Gester in Switzerland have test for unstable layers of

equate. It is crucial to take

account of the "human fac-

experience are vital for any-

doned cars in Geltuer, in Austria's Paznaum valley, after an ava "nearest case" analysis to analyse the probability of Alps. The combination of avalanches from information wind and snow may cause one part of a slope to be about the weather, the condition of the snow on the treacherous, even if another ground, the topography and part appears safe. Nor are previous avalanche records. the dangers confined to years with exceptionally But many experts say comheavy snowfall. Even in less puter models alone are inad-

> taken by surprise So anyone travelling ing people are triggered by across virgin snow is advised to prepare for the 1970s. worst. Considerable research effort is being directed towards devising technology to improve the odds of survival for someone caught up in an avalanche. The odds fall to less than 50 per cent after half an hour, according

extreme conditions, experi-

enced guides are sometimes

WN UJ 192

scientific journal. Black Diamond Equipment, a company based in Salt Lake City has recently launched the "AvaLung" which helps a person buried in the avalanche get access to the air in the snow. It extracts air over a relatively attached to a breathing tube. Another important innova-

poor guide recently in the tion is the newly developed digital beacon, such as the Digital Transceiving System which is sold by Back country Access, in Boulder Colorado, for \$299 (£185). Digital beacons, which use antennae and microprocessors to locate the position of a buried transmitter, are expected to have significan advantages over the analogue transceivers which have been in use since the

> The new generation of equipment still has flaws. Recent field tests by the SLF in Davos found all the new digital beacons have imperfections, although they already offer advantages to untrained users in simple situations.

Yet in spite of the shortcomings of the new equipment, the SLF says technological progress in avalanche safety is encouraging. "It that further development will bring us in the near future a big step closer to large area with the help of a the target, which is easy to filter-covered chamber, control, efficient and reliable avalanche rescue search equipment.



Tempered glass resists cracking under stress

team of researchers in the US and Italy has designed a method of strengthening glass that could pave the vay for thinner and lighter anels in electronic displays

The technique, described in the most recent edition of the journal Science, builds on the method of chemically tempering glass, in which sodium atoms near the surface are replaced by potassium atoms. The process compresses the xutside layer of the glass. Compressed glass can withstand higher levels of

The researchers from Penr State University, Caterpillar in Illinois and the University of Trento in Italy developed class with an untempered surface, but with a

tempered, compres below. When small cracks begin to form on the outside layer of the modified glass, they are stopped by the inner layer. This creates an array of cracks on the surface that warns when the glass is approaching its

breaking point. Penn State: US, tel 001 8148659481; e-mail areen@ems.osu.edu

Laser test could save chip costs

A Massachusetts Institute of Technology researcher has developed a test that could save millions of dollars by cutting the cost of testing thin films in chips.

The laser-based test can neasure the thickness of the metal layers on a silicon chip to within one layer of atoms, within a second, It can also check whether each film laver is properly stuck to the laver beneath it.

The instrument uses short aser pulses to generate ultrasonic waves in the thin film. Light from a second laser is used to judge the speed of the acoustic waves, which is a measure of the thickness and edhesion of the film.

The device was developed by a start-up company formed by its inventors,

before being acquired las

summer by Philips, the electronics company. The technique might eventually be used to check for eye disease or "optically

phase to another. Massachusetts Institute Technology: US, tel 6172589276; http:// /web.mit.edu

switch" materials from one

Pains and needles

Passing an electric current through acupuncture-like needles can produce significant pain relief, according to a study published in the Journal of the American Medical Association.

The research carried out at the University of Texas Southwestern Medical Center at Dallas, found that the method - Percutaneous Electrical Nerve Stimulation - helped ease severe back pain. It involves inserting needles into soft tissue and muscle surrounding bone, and was found to be significantly more effective than other techniques.

University of Texas Southwestern Medical Center: US, tel 2146483404; @email.swmed.edu

Beam speeds sterilisation

A UK company has developed an electron bean sterilisation process that reduces the time needed to sterilise medical devices from eight hours to about eight minutes

Rocialle, which manufactures in south Wales, believes its system which occupies an area of about 100 sq m - is unique in Europe, it says the speed of irradiation reduces oxidative effects, which limits the tendency of the product to become discoloured and brittle, while improving its shelf life. It argues that its system is safer and quicker than traditional techniques. Rocialle: UK, tel (0)1223

495700; fax (0)1223 495701

Vanessa Houlder

INFORMATION TECHNOLOGY AFRICA NEWS ONLINE

Off the global hard shoulder

computer models.

Electronic progress for Africans hinges upon finance, not technology, says Martin Mulligan

It sounds unlikely: a 24-hour electronic one-stop shop for news from all over Africa. But in a modest way Africa. News Online is helping to get Africa off the global hard shoulder and on to the information superhighway.

The idea is simple. African newspapers are invited to post a selection from their pages on the Africa News website, allowing worldwide electronic access to items that were formerly available only to local newspaper readers in Ghana, Kenya and elsewhere.

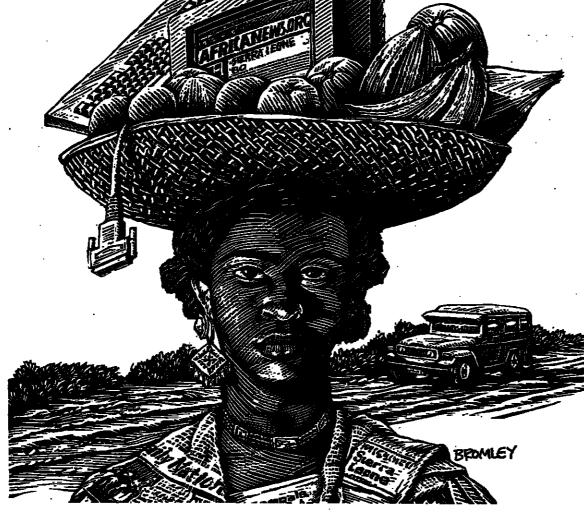
The newspaper publishers receive a share of earnings calculated according to the number of their stories transmitted as daily news feeds to various organisations, as well as a share of revenue from advertising and royalties on the elec-

tronic pages.
It is a small step towards the developing world's electronic coming-of-age, but there is a long way to go. "Let's not get carried away." says James Dean, director of tion institute Panos. "The internet is exciting for those who have the capacity to get information out [of the internet] themselves. Africa is not going to become a wired society for a very long time.

Telephone penetration is the key. Public access to the internet [in Africa] is probably a generation away ~ if

In theory, Africa could use satellites and wireless communications to leap-frog the industrial revolution.

The obstacles are not techbut financial. Improved telephony that will allow the growth of regional intranets (ie. connections between a country's or several countries' academic. civic and professional communities) is a more realistic tion. Lexis/Nexis. Reuters



But such growth will take decades. In the meantime. initiatives like Africa News Online may provide a makeshift. Africa News Service a non-profit news agency orting - was set up to provide accurate information about Africa through print and broadcast media. The news agency began operating on the web in 1995 and

has grown steadily. "Resources are the prob- The news service's regu-lem," says Mr Dean. larly updated pan-African bulletins have become an important source for journal-

ists and academics It is used by high-profile online databases, including Financial Times Informa-

Traffic more than doubled last year and is still growing. About 65,000 pages per day are delivered to viewers. All Africa News stories have links to the websites, if any. of the featured publications. Tamela Hultman, Africa News executive editor, does not expect aggressive competition soon. "Africa News Online has drawn on a network built up during 25 years. It would be extremely difficult for anyone to come in and duplicate that history. The longevity of Africa

site has the traffic it has for that reason. Reliable data about inter-Briefings, Bloomberg, Pro net adoption in Africa are

News is significant: the web.

hard to come by, but the important fact for services like Africa News Online is that nearly all African capitals have internet access. Although in many locations the attempt is still bedevilled by poor infrastructure and by power cuts, most publications are able to transmit

Nor is per capita computer ownership these days necessarily a reliable index of computer literacy among Africans: in Ghana, for example, it is estimated that five times as many people have e-mail addresses as own PCs. Cyber cafes and fried plantain sellers are dictable but there is defifound side-by-side in down- nitely a new optimism."

town Accra. Ms Hultman is undis- www.africanews.org

mayed even by those who power world. Africa is a stra tegically unimportant conti disaster are perceived as endemic and which has only 3 per cent of world trade, with little prospect of

'In three decades of travelling to Africa, I am aware of an energy just now that has not been seen for a long time," she says.

"Except in places mired in conflict, democratic reforms and business reforms are picking up speed. The

MANAGEMENT EXECUTIVE SEARCH

A rate pegged to the right person

Performance-related fees can help to concentrate minds, writes Clay Harris

man or woman, most executive search companies pocket their fees and walk away - with no stake, apart from their reputation, in the appointee's

subsequent performance. "Tens of millions, perhaps hundreds of millions of pounds have been wasted Armstrong less than 50 per through poorly performing managers," says Martin the rest as a percentage of Armstrong, a financial ser- the revenues the recruits vices headhunter who thinks he has a better idea.

"You should really reward well the person has done," he argues.

his London-based group, is practice. If clients agree, it forgoes immediate payment of part of its fee in return for performance-related slice. The sums involved can be considerable. When Michael O'Neill was named Barclays chief executive recently, the size and terms of his remuneration package provoked more comment than whether he was the right person to replace Martin Taylor.

Search companies conventionally are paid one-third of the successful candidate's first-vear remuneration - in Mr O'Neill's case, £1.7m, including a guaranteed bonus. But as executive salaries have soared, fees are often capped short of the formula figure. Regular clients can also negotiate a sliding scale that reduces the overall rate.

Although Barclays and Spencer Stuart, which handled the Mr O'Neill search maintained their usual discretion, another UK headhunter said: "If they were paid any less than £500,000 for that, I'd say they were

But if the wrong person gets a job, it is the shareholders who suffer. Mr Armstrong maintains

Once they get their to link an element of the fee they charge to performance. CIBC Oppenheimer, the

Canadian-owned securities house, has agreed to this method for six recruits so far. Niels Jensen, managing director for institutional equities and private client brokers, says CIBC pays cent of its fees up front, with the revenues the recruits bring in, usually over the

In a business where "the search companies on how hit rate is never 100 per cent, you only pay for what you e argues. get", Mr Jensen says. CIBC Armstrong International, has done this as part of a move to using a single putting that theory into search company. The combination helps to "provoke a deeper interest in the business" and provides the comfort that the headhunter is "not going for a quick buck but for building a business

first year.

with you". CCF Charterhouse, the French-owned investment bank, is to consider including a performance-related undertaken for it by Armstrong. Hawkpoint Partners, National Westminster Bank's UK corporate advisory business, is similarly

Other clients have rejected the idea. According to Mr



that one way to concentrate Martin Armstrong: advocating a the minds of headhunters is performance link Jason Orton

Armstrong, some want to avoid carrying over a potentially open-ended liability. Others have told him more baldly: "I don't want to be a partner with your company". Jonathan Baines. head of Baines Gwinner, another City of London search group, says of clients: "By and large, they would prefer to do it on a transactional basis

Dissatisfied clients are not without recourse under the conventional system, says one human resources executive. She notes that clients have refused to pay their full bills, and have denied the headhunters further business, when candidates they had recommended proved inappropriate.

Clients adopting performance-linking face two difficult issues: how to measure it and for what period. For traders, additional revenues are transparent enough, but more qualitative methods are needed for other posts.

Armstrong is looking for a mergers and acquisitions tal European country for an investment banking client. As part of the fee, it will receive 10 per cent of the increase in revenues achieved in that country during one year. In another case, Arm-

strong will be paid 10 per cent of the share of carried interest - the return over an igreed benchmark - due to the partner it found for a private equity company. That agreement lasts for three years but in most cases, one or two years is more appropriate.

Even Mr Armstrong sees limits to performance-link-ing. It is "more suitable for mall boutique revenue-gen erating businesses rather than risk-taking busine The performance-linked approach is unlikely to transform the wider world of headhunting, but it may encourage companies to pay far more attention to whether search companies give them value for money-



cent in 1999," he added.

European series

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expectations.

"Europe's car industry is unlike some of the food and



EQUITIES

Interest rate uncertainty prompts caution

EUROPEAN OVERVIEW

Uncertainty over the direction of US and eurozone interest rates weighed day, with German issues being particularly downbeat. Most equity investors chose to stay on the sidelines in anticipation of today's European Central

FTSE Ebloc 100

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OTHER INDICES

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Bank meeting and Friday's another factor behind yester suffering from overcapacity, rolls.

The latter figures have traditionally had a strong bearing on the Federal Reserve's monetary policy. For Februon European shares yester-ary, analysts at HSBC expect carmakers and chemicals, down 4.45 per cent as 1889 payrolls to have grown by 280 000, against January's rise of 245,000, because of high confidence and low job-

Today's ECB meeting was

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THREE MONTH PURO LIBOR OPTIONS (LETT) CIM 100-

Sett price

2757.0 2757.0

release of US non-farm pay-day's lacklustre trading, as leading to discounts of up to markets expected the bank 20 per cent. Thus we expect to leave euro-zone interest earnings in the auto sector rates on hold - in defiance of to decline by 10 to 15 per political pressure.

were hardest hit yesterday, earnings came in below "Poor earnings prospects for 1999 and stiff pricing pres-sures are to blame," said Gary Dougan at J.P. Morgan. Printemps, performed well,

FTSE Eurotop 300

FISE Eurolop 190 FISE Eploc 100

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FTSE Actuaries Share Indices

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MON-CYCLICAL SERVS

Information Tech Hardware 966.38 Software & Computer Serv 785.97

OTHITES

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1428.81 -0.80 -11.49

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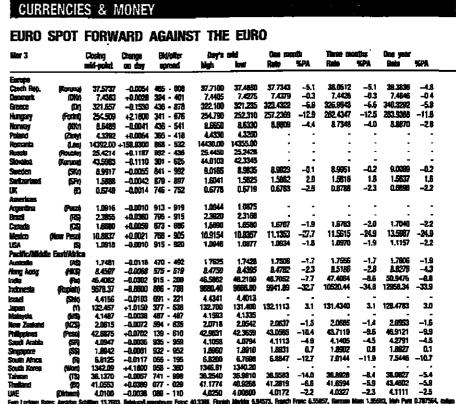
drink producers such as Heineken. On a general note, the euro-zone stocks delivered

analyst.

negative returns of minus 1.5 per cent in February, in spite of the weakening euro, according to a report by BT Alex Brown. "Weak earnings forecasts for 1999 and rising The retail sector, notably US bond yields weighed on Carrefour and Pinault-European stocks," said one

> The FTSE Eurotop 300 index fell 7.96 to 1,201.29, while the FTSE Eurotop 100 declined 17.86 to 2,758.09. The FTSE Ebloc index of leading stocks in the eurozone settled 14.74 lower at

Alcatel was up a stunning 11.3 per cent, with its acquisition of US company Xylan sparking interest among US fund managers. Investors have largely avoided the stock since it plunged on an unexpected profit warning



RATE SWAPS **EURO-ZONE BONDS** 5.41 5.44 0.23 5.64 5.67 0.32 5.75 5.78 0.55 5.83 5.86 0.10 5.94 5.97 1.36 5.94 5.97 1.36 5.98 6.01 1.75 6.06 6.09 1.90 6.17 6.20 2.24 6.26 6.29 2.24 6.26 6.29 2.24 6.32 6.35 2.67 5.36 5.47 5.49 5.49 5.48 1.63 1.83 2.06 1.57 1.91 2.14 2.33 2.51 2.68 2.85 3.01 3.16 3.30 3.54 3.79 2 year 3 year 4 year 5 year 6 year 7 year 8 year 10 year 10 year 15 year 20 year 25 year 20 year 4.250 4.750 5.000 +0.03 +0.03 +0.02 +0.06 +0.30 +0.36 +0.30 +0.38 3.48 3.52 1.66 3.70 3.83 3.87 3.98 4.03 4.14 4.18 4.28 4.32 4.39 4.43 4.47 4.51 4.62 4.66 4.82 4.86 5.03 5.17 5.43 5.43 5.43 5.44 5.44 5.46 5.47 5.47 3.08 5.48 3.22 5.49 3.44 5.51 3.69 5.52 3.85 5.500 5.000 5.625 +0.05 +0.05 +0.06 +0.05 4.05 **TOTAL TIES** 3.750 4.750 5.375 3.69 4.03 4.84 3.62 +0.35 +0.35 +0.41 Bild and sole rates as of close of London business. US \$ is quoted acress money actual/380 basis against 3 months Libor, 5 and Yen quoted on a seex-conust actual/385 basis against 6 months Libor, Euro/Seles Franc quoted on annual bond 30/360 basis against 6 month Eurobortulior with the exception 5.375 AAA 5.750 AAA 5.250 AA+ 105.867 109.537 104.607 100.368 +0.07 +0.06 +0.05 +0.06 +0.47 +0.41 +0.41 +0.44 Bad Wurtt 4.68 4.38 4.62 02/10 09/07 04/08 Euro bond yield curve Euro against the dollar Credit Local \$ per€ 5.125 5.125 5.625 3.63 4.68 5.15 +0.03 +0.05 +0.05 103.980 103.407 101.858 +0.78 +0.46 +0.24 S PFAID 5.500 5.000 6.000 4.750 105.273 105.436 111.332 102.944 -0.04 -0.03 -0.05 -0.04 +0.25 +0.32 +0.40 +0.38 3.44 3.75 4.07 4.36 IN HIGH YELD 107.473 105.593 100.499 96.085 +0.07 +0.06 +0.06 +0.09 1 3 5 7 10 15 20 -0.70

SCOR 1998

BUSINESS AND DEVELOPING NEW TECHNOLOGIES.

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SCOR's rigorous pursuit of its value-creating strategy has enabled us to achieve steady consolidated earnings growth, and to maintain a high level of return on

equity for our shareholders

over four consecutive years. Jacques Blondeau

2 355 2 343 2 058 2 048 13 504 13 440 Operating profit 103 116 674 764 141 925 970

STRONG EARNINGS PERFORMANCE FOR SHAREHOLDERS

Met diluted earnings per share up 19% over 1997 at € 4.21.

(FRF 16.73) including tax credit, up 12% relative to 1997.

■ Total return on assets managed by the Group (€ 5.3 billion): 7.6%.

■ Return on equity maintained at the excellent level achieved last year: 12%.

ALREADY PRESENT ON ALL OF THE WORLD'S LEADING MARKETS, SCOR IS PURSUING

ITS GROWTH IN THE EMERGING MARKETS AND IS TRANSFORMING ITS BOOK OF

SCOR continued to take a selective line on Property & Casualty reinsurance in 1998, while

registering a sharp rise in business both in Life, Accident & Health reinsurance [+ 25% excluding

At the same time, the Group strengthened its operations in parts of the world offering great potential for the future, particularly in the emerging countries, where SCOR achieved its growth targets (15% of its portfolio).

■ 49b of Group shares retired in the last quarter of the year, through active management of

The Board will propose to the General Meeting of Shareholders to declare a dividend of € 2.55

per share: + 19%

■ Income

■ Dividend : + 12%

■ Information

http://www.scor.com

SCOR's shares are listed in Parts, Frankfurt and New York

■ Operating profit up 13%.

SCOR, one of the world's leading reinsurers, manages a diversified portfolio of Property & Casualty and Credit & Surety reinsurance its strategy of innovation is now taking it into non-traditional ,000 customers in 100 countries

LEGAL

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Notices

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BURO MEDIUM TERM NOTE PROGRAMME
OF SOCIETE GENERALE,
SGA SOCIETE GENERALE ACCEPTANCE N.V.
AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIES 68/94-6, TRI
SGA SOCIETE GENERALE ACCEPTANCE N.V.
800 000 000 FLOATING RATE NOTES DUE JUNE 2004

ISIN CODE: XS9049 For the period March 01, 1999 to June 01, 1999 the new rate has been fixed at 9.48905 % P.A.

Next payment date: June 01, 1999 Coupon ir: 19
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24 249.79 for the denomination of FRF | 000 000 THE PEPICEPAL PAYING ACENT SOCIETE GENERALE BANK & TRUST SA-11-13, avenue Emile Renier 1,2420 LUXEMBOURG



IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANTES COURT

ROXSPUR PLC • 200d •
IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS REBURN GIVEN that the

Company was registered by the Rogistrar of

DATED 2nd March 1999 Nabarro Nathanson 50 Stratton Street London W1X 6NX

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JGBs soar on cut in short-term rates BENCHMARK BONDS By Arland Ostrowsky in New York By Arland O

and John Labate in New York.

24

The Japanese government bond market soared yesterday after the Bank of Japan effectively cut the short-term interest rate to zero in a desperate attempt to kick-start the economy and persuade investors to buy longer-term

Meanwhile, the European government bond and US Treasury sectors lost some ground following fresh signs of strong economic growth

The overnight interest rate in Japan dropped to 0.02 per cent after the Bank of Japan injected Y1,800bn of extra liquidity into the money

ity and keeping yields at the short end of the curve close to zero, the BoJ was driving investors "up the curve". "Investors have to move up the yield curve in order to pick up any yield at all,"

The yield on the benchmark No 203 10-year JGB dropped to 1.69 per cent from Tuesday's 1.8 per cent. The March 10-year JGB future

jumped from 131.8 to 133.03. The Bank of Japan has been resisting pressure from the government to buy JGBs in order to support the long end of the curve. Its latest move, however, is seen as a signal to investors of its readiness to intervene in the bond market

the Trust Fund Bureau to buy Y400bn of bonds in Feb-

ruary and March. Ms Collins said this and efforts by the Ministry of Finance to curb issuance of bonds with long maturities indicated that the government would support the bond market until the end of the current fiscal year and

While Japan is trying to reflate its economy, the US Treasury market is suffering once again from the strength of domestic economic growth. The latest survey by the National Association of Managers Purchasing showed strong expansion in the service sector, with its index rising from 54 to 57.

ers, achieved the borrower's

BOND FUTURES AND OPTIONS

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III NOTIONAL BIRO BOND FUTURES (MATE) £100,000

possibly into the new year.

all but ignored, but the nervousness in the market and the fear of the Federal Reserve raising interest rates means that any sign of strong economic growth in the US leads to a sell-off in

Treasuries. By early afternoon the benchmark 30-year US Treasury bond was down I to 9314, sending the yield up to 5.673 per cent. Among shorter-term issues

the two-year note was 🛔 lower at 9911, yielding 5.184 per cent, and the 10-year note had lost & to 95%, yielding 5.376 per cent. Investors are now focused

on Friday's employment indicators. The consensus is the Fed would almost cer-

The fall in the US Treasury market weighed on sentiment in the European markets, which have also suffered from the reluctance of the European Central Bank to cut interest rates.

The 10-year German bund future fell 0.45 to 113.45. Mr Hawkins said bunds were under additional pressure after the domestic insurance sector threatened to boycott the market in protest against the government's tax

reform. The UK gilts market was the worst performer of the day after the Monetary Policy Committee left interest rates unchanged at 5.50 per cent. The UK gilt future dropped 0.75 to 114.98.

futures

The London International Financial Futures and Options Exchange has built a commanding lead in the market for three-month futures contracts based on euribor, the Brusselssponsored reference rate for lending in euros. Liffe said trading volume

in the three-month contract rose nearly 300 per cent in February to some 2.7m contracts from just over 900,000 in January, when it con verted its euromark and eurolira positions to euro Libor and eurlbor.

Its lead in the three-month euribor contract reflects its strength in short-term interest rate contracts over Eurex, Europe's biggest derivatives market. The Ger man/Swiss exchange traded more than 730,000 threemonth euribor contracts in the first two months of 1999.

Euribor has replaced euro Libor as the reference rate for lending in euros following intense political pressure from Brussels for Europe's banks to adopt it. However, overall volumes

on Eurex climbed 78 per cent in February compared with the same month in 1998 to 26.3m contracts, while turnover on Liffe was down 39 per cent. That reflects the gain to Eurex from winning the vast majority of trading in the 10-year bund future, the benchmark for government bonds in the euro zone.

capital markets in 1996. Last Matif, the Paris derivatives market, saw its eurlbor The bond is likely to be futures trading rise 19 per cent to nearly 294,000 conlaunched today or at the beginning of next week. tracts in February. The depending on market condiexchange said 13.5 per cent of total trading in the contions, and is expected to be tract came through its Euro Globex alliance with Meff, the Spanish market.

distribution

The Chicago Board of Trade, the world's biggest derivatives market, plans to build a worldwide electronic distribution network for its products rather than pursue alliances with rival exchanges.

its chairman said yesterday. David Brennan, the former floor trader elected to head the CBOT at the end of last year, said the era of global alliances between derivatives markets "may have come to an end".

Investors are seeking greater competition among exchanges rather than complicated tie-ups, he said, which were too complicated, politically charged and expensive to implement

"We can achieve global distribution of our products without an alliance." Mr Brennan said in an interview in London.

He said the CBOT hoped to achieve its aim by developing technology that would allow investors to trade electronically or to route trading on to its open-outcry trading floor in Chicago.

Plans for the CBOT to enter a strategic alliance with Eurex, Europe's dominant derivatives market, collapsed in January. CBOT members voted to

reject a tie-up with the German/Swiss exchange, which would have seen the two markets develop a shared electronic trading platform based on Eurex technology. Mr Brennan, who made clear in his campaign for the CBOT chairmanship that he had reservations about the

Eurex link, said relations

with the European exchange

INTERNATIONAL BONDS

were still "very friendly".

ple problems" in the proposal, including questions of cost and control. "There were a whole lot of different things that made that questionable. The very firms that give us business were fearful of Eurex."

Developing "open architecture" technology and the CBOT's Project A workstations would provide users with all the benefits of an alliance, Mr Brennan insisted, saying formal linkups took up too much manment time and resources. "There are not too many of them that have really worked. It is easier to make progress by taking smaller.

steps." Thomas Donovan, CBOT chief executive, said users of the exchange had expressed disapproval of tie-ups such as the one with Eurex. "Firms are saying to us they don't particularly like alliances and prefer competition between exchanges," he said.

They were speaking in London, where the CBOT unveiled price cuts for European users of Project A to bring costs into line with those in New York, claiming they would amount to average savings of 62 per cent for ers outside the US.

Mr Brennan would not be drawn on the cost of developing the CBOT's own technology. There are 573 Project A workstations in use. including 18 in London and 42 in New York.

A further 11 are to be installed in London soon, and the system is being introduced into France with the start of trading in Paris tomorrow at Finacor, a

Hutchison raises €500m

NEW ISSUES By Khozem Merchant

Hutchison Whampoa, the Hong Kong-based conglomerate, became the first Asian corporate outside Japan to launch a euro-denominated bond. Its successful launch

of a seven-year €500m issue follows an offering by a Japanese corporate borrower earlier this week and reflects improved sentiment towards Asian borrowers. Like many other Asian corporates, Hutchison Whampoa has usually

accessed the international debt market via a US dollar institutional investor base but the recent stabilisation in Asia has prompted a reassessment among bankers and encouraged borrowers to seek a new investor base in the euro-zone.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

5,000 103,3100 3,750 95,1800

4.500 102.5300 4.500 103.2400 4.500 101.2800 6.500 118.2000

111.7920 114.7440 100.9630 95.9390

"One big advantage of coming to the euro-zone is that you are no longer dependent on yankee issues," said Deutsche Bank, which lead-managed the Hutchison Whampoa issue with HSBC Markets.

The bond, which was bought largely by European investors, was priced at a points over the relevant bund and traded at 167 basis points. Bankers said the issuer achieved relatively tighter pricing by issuing in euros.

A month ago market rumours suggested Hutchison Whampoa would issue a 10-year yankee following a \$750m offering by Hong Kong's Mass Transit Railway Corporation, but price conditions were considered unattractive for the borrower. Yesterday's bond is a with Barclays Capital,

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consequence and, say bank- defended the level of pricing, this year, will have the lon-

saying it was in line with

recent floating-rate bond funding target while tapping issuance. a new investor class in the Slovenia, the highest-rated country in central and east year's €500m issue had a to merge with BCH, a rival Europe, is planning to raise Spanish bank, launched a around €400m in a eurobond three-year €300m bond. issue to be lead-managed by Credit Suisse First Boston Some bankers said the all-in and Morgan Stanley Dean pricing of three-month euribor plus 10 basis points was

too tight but Salomon Smith The 10-year bond, which is priced to yield between 80 expected to be the country's and 90 basis points over Ger-Barney, which led the issue only foray into the market man bunds.

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US CORPORATE BONDS			-		
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NY Tel	08/25	7.00	A+	98.0360	7.16	~0.04	+0.52	+1.53
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GECIC	05/07	8.75	AAA	116.5826	6.14	-0.05	+0.62	+0.79
Banc One	08/02	7.25	A	103,7038	6.02	-0.03	+0.39	-6.02
CNA Fin	01/18		À-	92.1220	7.75	-0.04	+0.62	+212
- W MOUSTRULS	· · · · · -	····	-7	··· ·			,-	
WMX Tech	04/99	625	586+	100.0235	5.76	+0.04	-0.16	+1.16
Wal Mart	05/02	6.75	AA.	103.2801	5.61	-0.02	+0.66	+5.61
Dayton Hud	06/21	9.70	A-	131.2162	6.92	-0.05	+0.46	+1,29
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FILMC	04/07	7.14	M/A	107.9572	5.88	-0.05	+0.61	+0.53
SLMA	03/00	7.50	H/A	102.1415	5.30	-0.03	+0.21	+6.70
FINA	02/18	8.95	N/A	130.4968	5.19	-0.04	+0.56	+0.50
FFCB	06/06	8.95	N/A	117.9998	5.86	-0.04	+0.63	+0.51
E 1965 VED			. 72		·			. , , ·
Stone Cost	02/01	9.88	В	101.8750	0.00	_	-	
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Bayer L—Bk	88/04	9.500		118.3493		- +0.03		+0.
(To 14) cénaroT	05/04	8.500		111.7737		+0.03		
Bell Canada	07/99	10.625		101.5501	5.72			
Deutsche B FRM	09/02	5.875	AA+	99,8274	5.93	+0.03	+0.41	-0
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bbey Kat FRN	02/02	5.557		100.0190	4.60	+0.07	+0.33	0.
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-	01/08	3.750	AAA	103.2839	3.32	+0.04	+0.06	+0.
kti Columbia	02/02	3.258	AA	103.6991	1.95	+0.02	+0.03	+0.
tydro-Quebec	05/01	6.750		108.7894	259			+1.
Gen Blect.	09/01	1.711	· s/a	99.7969	1.54			
# YEV			<u> </u>					7
BRD (World SK)	03/82	5.250	AAA	114.5092	0.43	-0.09	-0.54	-0.
Spain (Kingdom)	03/02	5.750	AA	115.8748	0.48	-0.09	-0.56	-ō.
Cred Foncier	08/02	4.750	A	112,7203	0.95	-0.09	-0.63	+0.
tally (Rep of)	07/99	0.516	AA.	100.0582	0.18	-0.10	-0.24	+0.
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BRD (World Bld)	02/08	6.000	AAA	101.2739	5.81	-0.02		+0
ter Sús Wales Tr	05/06	6,500	11/2	103.8498	5.83			-0
S. Aus Gov Fin	06/03	7.750	· AA	107.1623	5.81	-0.01	+0.24	
EMAC Aust	05/01	9.000	D/a	106.6250	5.70	-0.01	+0.20	+0.
London closing. Standard & Poor's saltno					Saura	idea; fin	Data/FT l	اعمرا

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	05/09	5.500	103.6500	5.03	-0.06	+0.20	+0.31	-0.25
Pertugui	03/00	5.375	102.2900	3.10	-	+0.07	+0.38	-1.06
	80/80	5.375	107.5890	436	+0.06	+0.21	+0.44	-0.80
Spain	01/01	5.000	103.2600	3.20	+0.04	+0.16	+0.26	-1.01
	07/09	5.150	104.4000	4.60	+0.04	+0.17	+0.72	-0.53
Sweden	05/00	10.250	107.5713	3 42	+0.02	+0.14	+0.14	-1.27
	05/08	8.500	114 8070	_ 4.49	+0.03	+0.22	+0.48	-0.94
Seritzerland	06/00	4,500	103.7500	1.45	+0.04	+0.17	+0.04	
	01/08	4.250	115.0500	234	+0.04	+0.12	+0.07	-0.46
UK	11/01	7.000	104,7976	5.06	+0.13	+0.25	+0,45	-1.74
	1203	6.500	107 0372	4.83	+0.13	+1.25	+0.61	-1.39
	12/09	5.750	100.8329	4.69	+0.08	+0.18	+0.49	-1.41
	12/28	8,000	122,4330	4.61	+0.06	+0.15	+0.38	-1.42
US	Q1/Q1	4.500	98.8217	5.16	-0.02	-	+0.40	-0.48
	02/04	4.750	97.9233	5.23	-0.05	-	+0.49	-0.59
	11/08	4.750	95,7063	632	-0.03	+0.01	+0.44	-0.52
	02/29	5,250	94.6790	5.82	-0.01	+0.01	+0.28	-0.46

	02/29	5.250	94,679	5.82	-0.01,	+0.01	+0.28	-0.46
ieids Local m	* New York raid- ranksi skanderd/k ny nooresidenta.		and baseds. Y	elda Showa k		e bierech inde will h		
O YE	AR BENG	AMK	RK S	PREAI)S			
		Spread	Spread				Spread	Spread
for 3	Bid Yleid	VS Euros	ve T-Bonds			Bid Yleič	VS Euros	ra 1-Bonds
ustratka	5.59	+1.45	+0.23	Netherlan	ds	4.29	+0.15	-1.07
ustriz	4.41	+0.27	-0.95	New Zeal		5.88	+1.74	+0.52
lelgium	4.34	+0.20	-1.02	Norway		5.03	+0.89	-0.33
anada.	5.36	+1.22	_	Portogal		4.41	+0.27	-0.95
german's	4.53	+0.39	-0.83	Spain		4.44	+0.30	-0.92
nland	4.31	+0.17	-1.05	Sweden		4.52	+0.38	-0.84
rance	4.21	+0.07	-1.15	Switzerla	덩	2.50		-2.86
क्षाम् ।	4.14	-	-1.22	UK.		4,79	+0.65	-0.57
reece	6.30	+2.16	+0.94	us .		5.36	+1.22	-
etand	4.35	+0.21	-1.01	Source let				
aly	4.31	+6.17	-1.05	Lorentes de			eling.	
क्रम	1.74	-2.40	-3.62	Arrestad	yleid hazi	S.		
MERG	ing ma	rkei	BON	ds				
			•			Day's	MAYS	Sprd
	Red		8 P	Bld	Bid	chige	chge	168
Kar 3	data Co	upo S	te d ing	price	yleid	yid	ytd	115
E EJROPE	•	. :		' <u></u>		·		7.2.
Croatia	02/02	7.000 E	88-	93.5103	9.56	+0.10	+0.64	+4.36

Mar 3	Red dega	Coupn	S&P Rating	Bld price	Bid yleid	chge yld	chge yld	15
B EUROPE								7.2
Croatia	02/02	7.000	888-	93.5103	9.56	+0.10	+0.04	+4.36
Potenci	07/04	7,125	BBB	104.6732	6.06	+0.02	+0.13	+0.86
Russia	06/07	10.000	ᆙ	25,2800	44.26	+0.16	+6.35	+38.9
S LATUR A		:		-				
Argentina	09/27	9.750	88	79.3750	12.38	+0.05	+0.81	+8.7
Brazil	05/27	10.125	B+	61.0000	16.70	+0.60	+0.98	+11.07
Mexico	05/26	11.500	88	103.2005	11.12	+0.10	+0.47	+5.5
ASIA 🛒			٠. '					
China	07/D6	7.750	888+	99.5562	7.82	+0.07	+0.52	+2.5
Philippines	10/16	8 750	88+	90.7242	9.87	-0. 15	+0.45	+4,44
Thailand	04/07	7.750	BBB	98.2 <u>9</u> 49	8.04	+0.03	+0.47	+27
	MIDDLE 6	IST	: -	•	· :::			
Lebanon	07/00	9.125	88-	102.3750	7 <u>.2</u> 1	-0.29	+1.71	+2.07
South Africa	10/06	8.375	8B+	94.5519	9.39	+0.04	+0.37	+4.05
Turkey	09/07	10,000	8	89.4830	12.01	+0.10	+0.27	+8.65
TE BEADY 8	ONOS :	•				. :		• • •
Amentica	03/23	5.750	68	66.2500	9.62	+0.08	+0.64	+4.05
Brazii	04/14	5.000	B÷	54,5000	15.29	+0 40	+0.71	+9.8
Mexico	12/19	6.250	BB	74.5000	8.98	+0.02	+0.27	+3,47
Venezuela	03/20	6.750	B+	62,2500	11.57	+0.05	+0.42	+6.0
London closing. Standard & Poo		5			Source	: interaction	(beaff i	iomato
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	1.73 0.74				0.01	-	
112	0.00			-	0.35	-	-
Est. vol. 1888,	Cadha orb Puer	oda . Premioso	day's open be	يئد ڪڪي	Paget sels .		
German							
		BURNO FUTUR	න හැන ව	M250.000	100ths of 10	O%	
					_		
	Open	Şett price	Change	High	ŭ₩.	Est. voi	Open int.
War	113.97	113.45	-0.45	104.29	113.30	626,583	472,824
						_	_
	T GENERAL	BUND (BOBL) FUTURES	(D/18) C	M250,000 1	00ths of 100	<u> </u>
	Орео	Sett price	Change	High	LOW	Est. vol	Open int.
Mar	108.23	107.99	-0.20	108.33	107.97	181,785	193,069
10 NOTICE	E LIFE SEIA	P FUTURES (LEFFET SAT	4.0% DM2	SO ONO points	of 100%	
	Open	Sett price	Change	High	Low	Est. voi	Open int.
Var		100.66	-0.14			0	1015
III NOTTONA	I LEB SNEA	P FUTURES (UFFR; 10y	4.5% (RE	250,000 poin	ts of 190%	
	Open	Sett price	Change	High	Low	Est. voi	Open int.
Mar	-	100.06	-0.36	-		Ð	940
	AFT All Co.	en Interest Ags.		ÁDE ÓN		-	
	-						
italy							
•		COVT. BOND	era em		3* I las 200 0m	10000	nnër.
			•		<u> </u>		
	Open	Seit price	Change	High	(Jan	Est. wo	Open Int.
Mar	112.43	111.99	-0.23	112.53	111.94	27701	36933
Spain							
MOTO NA	L SPANESIA	BOND FUTUR	es (Mett)	£100,000			
	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar	114.97	114.67	-0.34	115.35	114.60	27,313	27.893
Jun	-	96.63	-0.17	- 10.00	-		8
							•
UK	VE 40 o		4	~~~			
III MOTTICALA	L 5 YEAR S	ALT FUTURES Sett price	(LIFFE) E1(Change	00,000 1ac	Othis of 100%	Est. voi	Open Int.
M HOTTONA Mar		Sett price 108.16				Ð	63
M HOTICHA Mar Jun	Open	Sett price 108.16 107.86	Change	High	Line		
M HOTICHA Mar Jun	Open	Sett price 108.16	Change	High	Line	Ð	63
M HOTTONA Mar Jun	Open	Sett price 108.16 107.86	Change	High	Line	Ð	63
MI HOTTONA Mar Jun SA MOTTONA Mar	Open L UK GALT F	Sett price 108.16 107.86 PUTURES (LIF	Change : FEP* £100.0	High 00 100ms	Linvi of 100%	0	್ 0 ————
MI HOTTOMA Mar Jun Mar Mar Jun Jun Jun Jun	Open L UK GILT F Open 115.95 116.35	Sett price 108.16 197.86 FUTURIES (LIF Close 114.96 715.47	Change Change -0.75 -0.76	High 00 100ma High 116,05 T16,56	Low of 190% Low 115.00 115.25	0 0 Est. vol	63 O Open Int.
MI HOTTOMA Mar Jun Mar Mar Jun Jun Jun Jun	Open L UK GILT F Open 115.95 116.35	Sett price 108.16 197.86 STURIES (LIF Close 114.96	Change Change -0.75 -0.76	High 00 100ma High 116,05 T16,56	Low of 190% Low 115.00 115.25	0 0 Est. vol 4062	63 0 Open Int. 13762
ME NOTICHA Mar Mar NOTICHA Mar Jon * Uffe Salars	Open L UK GILT F Open 115.95 116.35 a also traded	Sett price 108.16 197.86 FUTURIES (LIF Close 114.96 715.47	Change Change -0.75 -0.76 en mercel li	High 00 100ms High 116,05 T16,56 Ign sen for	Liner Liner 115.00 115.25 previous day	0 0 Est. vol 4062	63 0 Open Int. 13762
MATERIAL MAT	Open L UK GILT F Open 115.95 116.35 a also traded	Sett price 108.16 107.86 PUTURES & LIF Close 114.96 715.47 on APT AIR Op CPTIONS (LI	Change Change -0.75 -0.76 en mercel li	High 00 100ms High 116,05 T16,56 Ign sen for	Low ef 100% Low 115.00 115.25 previous day of 100%	8 0 Est. vol 4062 50229	63 0 Open Int. 13762
M HOTICHIA Mar Jun Mar HOTICHIA Mar Jun " UFFE Mare M LONG GO Schie	Open L UK GILT F Open 115.95 116.35 a also traded	Sett price 108.16 107.26 107.26 FUTURES & JF Close 114.98 715.47 or AFT AR Op CPTIONS (L) Set	Change -0.75 -0.76 en intered in	High 00 100ms High 116,05 T16,56 Igs. am for p 000 100ms	Low ef 100% Low 115.00 115.25 previous day of 100%	0 0 Est. vol 4062	63 0 Open Int. 13762
M HOTICHIA Mar Jun M HOTICHIA Mar Jun LONG GE Price Price 11450	Open L UK GRLT F Open 115.95 116.35 a also trased LT FUTURES Jun 2.28	Sett price 108,16 107,86 FUTURES & LFT Close 114,98 715,47 on APT All Op CPTHORES (LI Sey 2,90	Change Change -0.75 -0.76 en nicosi ii FFE) E100.0	High 00 100ms 19gh 116.05 115.58 Ign. am for p 000 100ms	Low of 100% Low 115.00 115.25 previous day of 100% Sep 1.93	8 0 Est. vol 4062 50229	63 0 Open Int. 13762
M HOTICHIA Mar Jun M MOTICHIA Mar Jun " UFFE Mare M LONG GN Selve Price 11450	Open L UK GILT F Open 115.95 116.35 9 also trased LT FUTURES 1.07	Sett price 108.16 107.86 FUTURES & LIFE Close 114.98 715.47 on APT Au Op CPTIONS (LIFE Set 2.99 2.53	Change -0.75 -0.75 -0.75 -0.75 -0.75 -0.75 -0.75 -0.75 -0.75 -0.75 -0.75 -0.75	High 00 100ms High 116,55 116,55 Ign. am for p 000 100ms	Low 100% Low 115.00 115.25 province day of 100% Sep 1.93 2.16	8 0 Est. vol 4062 50229	63 0 Open Int. 13762
MI MOTICHIA Mar Jun Mar LONG GE Settle 11450 11550	Open Luk Gill, T F Open 115.95 116.35 Jun traded IT FITURES 1.97 1.66	Sett price 108.16 107.86 RITURES & LIF Close 114.96 715.47 on APT AI 09 COPTIONS (LI Set 2.95 2.95 2.35	Change -0.75 -0.76 en nicosi ii FFE) E100.0	High 00 100ms 19gh 116.05 115.58 Ign. am for p 000 100ms	Low ef 100% Low 115.00 115.25 previous day of 100% Sep 1.93 2.16 2.41	8 0 Est. vol 4062 50229	63 0 Open Int. 13762
M HOTICHIA Mar Jun M MOTICHIA Mar Jun " UFFE Mare M LONG GN Selve Price 11450	Open L UK GILT F Open 115.95 116.35 9 also trased LT FUTURES 1.07	Sett price 108.76 157.86 FUTURES & JF Closs 114.96 715.47 on APT AI Op COPTIONS (JJ Sept 2.95 2.95 2.63 2.33	Change Change -0.75 -0.76 en microst il FFP) £100.0 s -1.1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	High 00 100ms High 116,05 116,56 Igs. am for p 100 100ms June 31 31 31 50 69	Low 100% Low 115.00 115.25 province day of 100% Sep 1.93 2.16	8 0 Est. vol 4062 50229	63 0 Open Int. 13762
M NOTICHA Mar Jun 14 NOTICHA Mar Jun 1 Uffe takes 12 LONG 60 11 1600 11 1600 11 1600 11 1600 11 1600 11 1600 11 1700	Open 1 UK SUT F Open 115.95 116.35 10 180 traded 1.7 FUTURES 1.07 1.08 1.42 1.42 1.42 1.43	Sett price 108,16 107,86 107,86 107,885 114,98 115,47 on APT All 09 0,0PTIONES (LI 2,50 2,50 2,14 1,52 1,17	Change -0.75	High 00 100ms High 116,05 116,05 100 100ms km 31 30 100ms km 31 32 50 88 95 55	Low ed 100% Low 115.00 115.25 previous day ed 100% Sep 1.93 2.16 2.41 2.57 2.95 3.25	0 0 Est. vol. 4962 50229	63 0 Open Int. 13762
M MOTIONA Mar Jun Mar Motiona Mar Jun * Liffe bases Price Price Price 11450 11500 11500 11600	Open 1 UK SUT F Open 115.95 116.35 1 also traded 1.7 FUTURES 1.97 1.68 1.97 1.68 1.42 1.22 1.03	Sett price 108,16 107,86 107,86 107,885 114,98 115,47 on APT All 09 0,0PTIONES (LI 2,50 2,50 2,14 1,52 1,17	Change -0.75	High 00 100ms High 116,05 116,05 100 100ms km 31 30 100ms km 31 32 50 88 95 55	Low ed 100% Low 115.00 115.25 previous day ed 100% Sep 1.93 2.16 2.41 2.57 2.95 3.25	0 0 Est. vol. 4962 50229	63 0 Open Int. 13762
MI MOTICHAA Mar Jun MI MOTICHAA Mar Jun ** Ufft takes BE LONG 60 Price 11450 11500 11500 11500 11700	Open 1 UK SUT F Open 115.95 116.35 1 also traded 1.7 FUTURES 1.97 1.68 1.97 1.68 1.42 1.22 1.03	Sett price 108,16 107,86 107,86 107,885 114,98 115,47 on APT All 09 0,0PTIONES (LI 2,50 2,50 2,14 1,52 1,17	Change -0.75	High 00 100ms High 116,05 116,05 100 100ms km 31 30 100ms km 31 32 50 88 95 55	Low ed 100% Low 115.00 115.25 previous day ed 100% Sep 1.93 2.16 2.41 2.57 2.95 3.25	0 0 Est. vol. 4962 50229	63 0 Open Int. 13762
M NOTICHA Mar Jun 14 NOTICHA Mar Jun 1 Uffe takes 12 LONG 60 11 1600 11 1600 11 1600 11 1600 11 1600 11 1600 11 1700	Open 1 UK SUT F Open 115.95 116.35 1 also traded 1.7 FUTURES 1.97 1.68 1.97 1.68 1.42 1.22 1.03	Sett price 108,16 107,86 107,86 107,885 114,98 115,47 on APT All 09 0,0PTIONES (LI 2,50 2,50 2,14 1,52 1,17	Change -0.75	High 00 100ms High 116,05 116,05 100 100ms km 31 30 100ms km 31 32 50 88 95 55	Low ed 100% Low 115.00 115.25 previous day ed 100% Sep 1.93 2.16 2.41 2.57 2.95 3.25	0 0 Est. vol. 4962 50229	63 0 Open Int. 13762
MI MOTICHIA Mar Jun Mi MOTICHIA Mar Jun * Uffe talue Be Lobie Frice 11450 11550 11550 11550 11550 11550 11550 11550 11550 11550 11550 11550 11550	Open 1 UK SUT F Open 115.95 116.35 1 also traded 1.7 FUTURES 1.97 1.68 1.97 1.68 1.42 1.22 1.03	Sett price 108,16 107,86 107,86 107,885 114,98 115,47 on APT All 09 0,0PTIONES (LI 2,50 2,50 2,14 1,52 1,17	Change -0.75	High 00 100ms High 116,05 116,05 100 100ms km 31 30 100ms km 31 32 50 88 95 55	Low ed 100% Low 115.00 115.25 previous day ed 100% Sep 1.93 2.16 2.41 2.57 2.95 3.25	0 0 Est. vol. 4962 50229	63 0 Open Int. 13762
MI ROTTONIA Mar Jun Mar MOTHORIA Mar Jun LOFFE balance Frice 11450 11500 11500 11500 11700 Ext. vol. total.	Open L UK GALT F Open 115.35 9 also traded LT FUTURES 1.97 1.62 1.97 1.68 1.42 1.02 1.03 Colls 1125 P	Sett price 108,16 107,86 107,86 107,86 107,86 114,98 115,47 on APT All Op 0 OPTIONS (LI 2,50 2,50 2,50 2,14 1,50 114, Precio	Change -0.75 -0.75 -0.75 -0.75 -0.100,0 S -0.75	High 100 100ms High 116.05 116.56 Ign. am for 1 000 100ms 31 50 88 95 55 ps lot, Cally	Low et 100% Low 115.00 115.25 previous day of 100% Seep 1.93 2.16 2.41 2.97 2.95 7468 Puls 706	0 0 Est. vol. 4962 50229	63 0 Open Int. 13762
MI MOTICHAA Mar Jun Mar MOTICHAA Mar Jun * UFFE balance ## LONG 68 Strike Price 11450 11500 11500 11500 11500 11500 11500 11500 11500 11500 US	Open 1 UK 68LT F Open 115.95 116.35 a sto transd 1.7 FUTURES 1.97 1.98 1.97 1.22 1.22 1.22 1.23 1.03 Cals 1125 R	Sett price 108,16 107,86 107,86 107,86 114,98 115,47 on APT All Op 0PTRORES (LI 250 2,50 2,14 1,50 1,77 dis 114, Predo	Change - 100.0 Change - 0.75 - 0.76 en nicod 8 FFR \$100.0 S - 1.1 1.1 1.2 2.2 2.2 45 457 458	High 00 100ms High 116.05 115.56 Ign. am for p 000 100ms Ign. June 110,05 100,	Liner 100% Liner 115.00 115.25 previous day of 100% Seep 1.93 2.16 2.41 2.67 2.95 7.468 Pulse 706	8 0 0 Est. vol. 4062 50229	63 0 Open lat. 13762 74954
MI HOTTOHIA Mar Jun Mar Jun Mar Mothoma Mar Jun Loffe Mare Price 11450 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500 11500	Open 4. UK 68LT F Open 115.95 116.35 9 also traded 1.7 FUTURES 1.97 1.56 1.42 1.63 1.63 1.65 1.65 1.65 1.65 1.65 1.65 1.65 1.65	Sett price 108.16 107.26 107.26 107.26 114.98 115.47 on APT AI Op COPTIONS (LI Set) 2.56 2.36 2.37 2.14 1.92 1.77 ds 114. Predo	Change Change Change -0.75 -0.76 en rateral in FFH) \$100,00 1 1. 1 1. 2 2. 2 2. 2 5 5 100,00 Change	High 00 100ms High 116,05 116,56 116,56 120,200 100ms tun 31 50 88 95 95 95 95 96 lat., Cally	Low ed 100% Low 115.00 115.25 personal day ed 100% Sep 1.93 2.16 2.41 2.95 3.25 7468 Puls 706	8 0 0 Est. vol. 4962 50229 PUTS	63 0 Open Int. 13762 74954
MI MOTICHAA Mar Jun Mi MOTICHAA Mar Jun * Lifte Laure Bi Lobes Gil Bi Lobes Gil 11450 11500 11500 11500 11700 Ect. vol. Lifte LUS	Open 1. UK GRLT F Open 115.95 116.35 9 also traded 1. FUTURES 2.28 1.97 1.68 1.42 1.42 1.42 1.42 1.43 1.43 0.58 1.42 0.58 0.58 0.58 0.58 0.58 0.58 0.58 0.58	Sett price 108,16 107,26 107,26 107,26 114,98 114,98 114,98 125,47 125,23 2,34 1,25 2,34 1,25 1,77 1,77 1,77 1,77 1,77 1,77 1,77 1,7	Change -0.75 -0.75 en nicros ii FFP; \$100,0	High 00 100ms High 116,05 116,56 gp. am far (100 100ms 31 35 56 88 95 58 p lot., Calls 121–16	Low 100% Low 115.00 115.25 previous day of 100% Sep 1.93 2.16 1.93 2.17 2.97 3.25 7468 Puts 706 1.00%	0 0 Est. vol. 4062 50229 PUTS —	63 0 Open Int. 13762 74954 Open Int. 210,210
MI MOTICHAA Mar Jun Mar MOTICHAA Mar Jun * UFFE tabuse # LONG SEI 11500 11500 11500 11500 11700 Ext. vol. taba. US US US US US Mar Jun Mar	Open June 115.95 116.35 116.35 10.35 10.35 10.35 10.37 10.36 10.37 10.36 10.37 10.36 10.37 10.38 10.3	Sett price 108.16 107.26 107.26 107.26 114.98 115.47 on APT As Op OPTHORES (2.56 2.56 2.25 2.25 2.25 2.25 2.25 2.25	Change -0.75 -0.75 -0.76 en interest ii FFF) \$100,0 1 1.1 1 1.1 2 2.2 2 2.2 2 2.2 3 day's ope	High 00 100ms High 116.05 115.56 Ign. am for p 000 100ms lun 31 32 36 40 High 121-67	Cow ef 100% Low 115.00 115.25 persons day of 100% Sep 1.93 2.16 2.41 2.97 2.95 3.25 4.100% Low 120–28 120–12	6 0 4462 50229 PUTS —— 69 58,421 402,787	63 0 Open lat. 13762 74854
MI MOTICHAA Mar Jun Mi MOTICHAA Mar Jun * Lifte Laure Bi Lobes Gil Bi Lobes Gil 11450 11500 11500 11500 11700 Ect. vol. Lifte LUS	Open 1. UK GRLT F Open 115.95 116.35 9 also traded 1. FUTURES 2.28 1.97 1.68 1.42 1.42 1.42 1.42 1.43 1.43 0.58 1.42 0.58 0.58 0.58 0.58 0.58 0.58 0.58 0.58	Sett price 108,16 107,26 107,26 107,26 114,98 114,98 114,98 125,47 125,23 2,34 1,25 2,34 1,25 1,77 1,77 1,77 1,77 1,77 1,77 1,77 1,7	Change -0.75 -0.75 en nicros ii FFP; \$100,0	High 00 100ms High 116,05 116,56 gp. am far (100 100ms 31 35 56 88 95 58 p lot., Calls 121–16	Cow ef 100% Low 115.00 115.25 persons day of 100% Sep 1.93 2.16 2.41 2.97 2.95 3.25 4.100% Low 120–28 120–12	0 0 Est. vol. 4062 50229 PUTS —	63 0 Open Int. 13762 74954 Open Int. 210,210
MI MOTICHAA Mar Jun Mar MOTICHAA Mar Jun * UFFE tabuse # LONG SEI 11500 11500 11500 11500 11700 Ext. vol. taba. US US US US US Mar Jun Mar	Open June 115.95 116.35 116.35 10.35 10.35 10.35 10.37 10.36 10.37 10.36 10.37 10.36 10.37 10.38 10.3	Sett price 108.16 107.26 107.26 107.26 114.98 115.47 on APT As Op OPTHORES (2.56 2.56 2.25 2.25 2.25 2.25 2.25 2.25	Change -0.75 -0.75 -0.76 en interest ii FFF) \$100,0 1 1.1 1 1.1 2 2.2 2 2.2 2 2.2 3 day's ope	High 00 100ms High 116.05 115.56 Ign. am for p 000 100ms lun 31 32 36 40 High 121-67	Cow ef 100% Low 115.00 115.25 persons day of 100% Sep 1.93 2.16 2.41 2.97 2.95 3.25 4.100% Low 120–28 120–12	6 0 4462 50229 PUTS —— 69 58,421 402,787	63 0 Open lat. 13762 74854
MI MOTICHAA Mar Jun Mar MOTICHAA Mar Jun LOFFE Marie Price 11450 11500 11500 11500 11500 11700 Ed. vol. vol. US Mar Jun Mar Jun Jun Jun Jun Jun Jun Jun Jun	Open June 2-28 June	Sett price 108.16 107.26 107.26 107.26 114.98 115.47 on APT At Op OPTHORES (2.56 2.56 2.25 2.25 2.25 2.25 2.25 2.25	Change -0.75 -0.76 -0.75 -0.76 en interest ii FFF) \$100,0 1 1.1 1 1.1 2 2.2 2 2.2 2 2.2 3 day's ope	High 00 100ms High 116.05 115.56 Ign. am for p 000 100ms June Ju	Cow of 100% Low 115.00 115.25 previous day of 100% Sep 1.93 2.16 2.41 2.57 2.95 3.25 7468 Pulse 700 120-28 120-12 119-31	6 0 1 4462 50229 FOTS —— FOTS —— 58,421 402,787 323	0 0 0 0pen lat. 13752 74854 0pen lat. 210,201 2,501
MI MOTICHAA Mar Jun Mar MOTICHAA Mar Jun LOFFE Marie Price 11450 11500 11500 11500 11500 11700 Ed. vol. vol. US Mar Jun Mar Jun Jun Jun Jun Jun Jun Jun Jun	Open UK 64,7 F Open 115,95 116,35 9 also braded 1,7 FOTURES 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,68 1,97 1,98 1,99 1,99 1,99 1,99 1,99 1,99 1,99	Sett price 108.16 107.26 107.26 107.26 114.96 115.47 At 0p 0 GPTIONES (LI Set 2.90 2.56 2.38 2.38 2.14 1.92 2.14 1.92 1.77 ds 114. Redo PUTIONES (CI Latest 120-29 119-31	Change -0.75 -0.75 -0.76 en interest in FFH) \$100,0 1 1.1 1 1.1 2 2.2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	High 00 100ms High 116.05 115.56 Ign. am for p 000 100ms lun 31 32 36 High 121-07 120-03	of 100% Low 115.00 115.25 persons day of 100% Sep 1.93 2.16 2.41 2.97 2.95 3.25 4.00% Low 120-28 120-12 119-31	60 0 4462 50229 FUTS —— 99 19 23,2717 323	00 Open lat. 13752 74854 Open lat. 210,210 512,421 2,501
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# Motes Int	Red P4ce £ - 105,0007 5.50 100 3855 5.22 107.0991 5.12 100 3255 5.11 102,5750 5.16 102,5978 5.07103,74094 5.07103,74094 5.01 104,7705	-0278 1002 -0295 1053 -0478 1005 -0478 1005 -0823 105.7 -1357 1003 -1357 1003 -1357 1004 -1361 1134 -2355 105.8	1 100.00 8 100.40 8 100.40 9 100.57 0 98.54 0 100.57 4 100.57 4 100.57 7 100.17 7 100.17	Trees 12/gp. Trees 5/gpc Conv 9/qpc Frees 7/qpc Trees 7/qpc Trees 11/qpc Trees 3/gpc Trees 3/gpc Trees 9pc 3/ Trees 5/qpc Trees 5/qpc Trees 5/qpc Trees 5/qpc Trees 5/qpc Trees 6/qpc Trees 6/qpc	2005	# 802 - * 852 - * 7.05 - * 6.00 - 6.00 - 6.00 - 6.00 - 7.00 -	August 130,851 August	7 -8962 4 -5834 6 -7134 6 -7133 6 -7560 6 -3574 4 -7983 7 -4639 0 -5123 5 -7841 3 -6501 2 -8632 6 -8889 6 -2686 4 -2686	15.45 155.51 156.31 136.21 122.40 111.73 121.62 125.55 142.51 136.52 124.51 136.52 136.51 136.52 136.51 136.52 136.51 136.52 136.51 136.52 136.51 136.52 136.51 136.52 136.53 136	124.50 127.40 113.85 123.98 110.47 104.95 109.33 119.81 116.90 108.90 133.45 122.82 115.97 99.36	21-20c 21	101	Moles (1) Moles (1) 子 1.86 イドカ 2.26 イドカ 1.25 イドカ 1.85 イドカ 1.8	(2) (3.76 1) (3.02 3) (2.46 2) (2.713 1) (3.65 2) (3.67 2) (3.07 2) (4.08 2) (4.08 2) (4.08 2)	95.4576 02.6856 04.4267 12.5281 33.4984 14.0319 27.8437 90.6741 11.3627	0085 20 0085 20 0383 20 0749 13 0242 23 0750 21 0241 23 0107 18 0028 21 0108 21	igh Lo 1.18 1891 5.40 1953 6.40 1953 6.50 1253 6.50 7092 6.50 7092 6.50 7092 6.50 7092 6.50 7092 6.50 7092 6.50 7092 6.50 7092 6.50 7092 6.50 7092
# Motes Int	Red P4ce £ - 105,0007 5.50 100 3855 5.22 107.0991 5.12 100 3255 5.11 102,5750 5.16 102,5978 5.07103,74094 5.07103,74094 5.01 104,7705	-0278 1002 -0295 1053 -0478 1005 -0478 1005 -0823 105.7 -1357 1003 -1357 1003 -1357 1004 -1361 1134 -2355 105.8	1 100.00 8 100.40 8 100.40 9 100.57 0 98.54 0 100.57 4 101.81 4 101.81 4 102.52 2 100.17 7 100.17 8 106.73	Trans 12 go Trans 8 go Corw 9 kpc Trans 8 pc 26 Trans 7 kpc Trans 11 kpc Trans 8 kpc Trans 13 go Trans 8 pc 26 Trans 5 kpc Trans 8 kpc Corw 9 pc 26 Corw 9 pc 26 Corw 9 pc 26	2005	# 802 - 852 - 7.05 - 7.47 - 692 - 692 - 693 - 633 - 633	Price	7 -8962 4 -583 6 -713 6 -713 6 -750 6 -357 4 -733 7 -4639 7 -4639 7 -4639 7 -4639 7 -4639 7 -4639 7 -4639 7 -4639 8 -7841 7 -8839 8 -7846 8 -7846	15.46 15.55 15.31 136.21 122.43 121.62 125.55 125.51 126.5	124,50 127,40 113,85 110,47 104,96 109,33 119,81 119,90 133,46 122,82 115,97 99,36 107,60 126,45	2 ¹ 20c 2 ¹ 20	Marked 39 01 03 03 04 40 3 5 5 7 13 7 20 7 3 7 3 7 3 7 3 7 3 7 4 7 5 7 6 7 7 8 7 8 8 8 8 8 8 8 8 8 8 8 8 8 8	Moles (1) Mole	(2) 3.76 10 3.82 2 2.46 21 1.85 2 2.17 2 2.01 2 2.02 10 1.97 2 1.99 2 1.90 2 1.90 2 1.90 2 1.90 2	95.4578 92.6656 94.4287 12.5281 33.4684 14.9318 27.8437 78.6741 11.3627 10.9082 59.3125 52.3288	-0085 19 -0085 20 -0283 20 -0149 13 -0242 23 -0150 21 -0241 23 -0107 22 -0108 27 -0108 27 -0108 18	Igh Lo 1.18 /881 5.40 /965 7.83 /984 6.63 /883 1.17 /993 1.98 /164 1.98 /772 1.98 /772 1.98 /772 1.98 /772 1.98 /772 1.98 /772 1.98 /772 1.98 /772
# # # # # # # # # # # # # # # # # # #	Red Price 5 - 1075,0007 5-50 100 3856 5-70 100 3856 5-71 102 5750 5-16 102 5978 5-16 102 5978 5-17 103 74084 104 7708 - 100 7708 5-18 109 5008 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 7708 5-18 104 7708 - 100 77	+65 Hg -0278 1002 -025 1653 -0411 1003 -055 1653 -0623 1657 -1357 1004 -1357 1004 -0673 1004 -0673 1004 -2685 1108 -2685 1108 -2685 1108 -2685 1108 -2685 1085	1 100.00 1 100.00 1 101.00 1 101.00 1 101.01 1 102.00 1 102.	Trues 12 kgs Treas 14 gc Conv 34 kgc Treas 74 kgc Treas 74 gc Treas 74 gc Treas 74 gc Treas 74 gc Treas 14 kgc Treas 14 kgc Treas 14 gc Treas 15 kgc	: 2005	本 802 - 852 - 7.05 - 6.00 - 7.00 - 7.00	Price	77 -8962 4 -5634 6 -7136 0 -8123 1 -7560 5 -2574 7 -4639 0 -8123 5 -7841 3 -6501 2 -6501 2 -6504 4 -7936 4 -7936 4 -7936 1 -2686 1	15.46 155.55 155.31 126.24 111.73 121.62 155.29 129.56 129.56 129.57 142.91 114.67 116.77 145.77 112.26	124.50 127.40 113.85 123.98 110.47 104.95 109.33 119.81 110.80 133.45 122.82 115.97 99.36 107.60 125.45 127.56 95.74	2 ¹ 2pc 2 ¹ 2p	letted 39	Moles (1) 例 1般 (78.5) 2.5% (78.5) 2.5% (78.5) 1.5% (78.5) 1.5% (74.5) 1.5% (74.5) 1.5% (84.5) 1.5%	(2) 3.76 10 3.02 2 2.48 20 2.48 20 2.48 20 1.85 20 2.01 2 2.01 2 2.01 2 2.01 2 2.01 2 2.01 2 3.02 19 3.02 19 3.03 10 3.03	95.4578 92.6656 94.4267 12.5281 33.4984 14.9319 17.3627 10.9932 13.3125 12.3299 ctod initials	-0085 19 -0085 20 -0383 20 -0383 20 -0384 13 -0242 23 -0156 21 -0241 23 -0107 19 -0328 21 -0300 18 -0771 19 -0300 18 -0771 19	1.18
Notes Int Notes Int	Red Price 2 - 105,0007 5-50 100 3825 5-17 100 3825 5-17 100 3825 5-18 102,5750 5-18 102,5750 5-18 102,5750 5-18 102,5750 5-18 102,5750 5-18 102,5750 5-18 102,5750 5-18 102,5750 5-18 102,5750 6-18 101,5776 6-18 101,57	+65 Hg -0278 1002 -0205 1653 -0411 1042 -078 1005 -0823 1657 -1957 1005 -1957 1008 -1958 1008 -2656 1108 -3656 1008 -3656 1008 -3656 1008 -3656 1008 -3656 1008 -3656 1008	5 102.00 8 108.40 8 108.40 9 101.57 4 102.57 4 102.57 4 102.58 9 110.28 9 106.73 9 106.73 9 106.73 1 100.00 1 100.00	Trans 12-bgs Trans Hype Trans Hype Trans Hype Trans Type Trans Type Trans Type Trans Hype Trans Hyp	: 2005; 2002-5; 2005; 2006; 2008; 2006; 2007; 2007; 2007; 2004-8; 2004-8; 2004-8; 2009; 2010; 2011; 2009; 2010; 2011; 2008-12; 20	· · · · · · · · · · · · · · · · · · ·	March Marc	7 -8982 4 -5634 8 -7136 0 -8121 6 -8721 6 -3574 4 -7983 7 -4639 0 -8121 5 -8631 2 -8631 2 -8631 4 -2666 4 -9173 8 -9781 2 -8547	15.46 15.55 15.31 13.21 12.40 111.73 121.62 125.56 142.81 134.57 142.81 114.75 116.76 116.76 116.76 116.76 117.74 112.86	124,50 127,40 113,85 123,96 110,47 104,96 109,33 118,81 116,80 108,80 112,82 115,97 99,36 107,60 125,45 127,56 95,76 118,90	2½pc 2½pc 2½pc 4½pc 2½pc 1½pc 2½pc 2½pc 2½pc 2½pc 2½pc 2½pc 2½pc 2	letted 39	100 100	(2) 3.76 10 3.02 2 2.48 20 2.48 20 2.48 20 1.85 20 2.01 2 2.01 2 2.01 2 2.01 2 2.01 2 2.01 2 3.02 19 3.02 19 3.03 10 3.03	95.4578 92.6656 94.4267 12.5281 33.4984 14.9319 17.3627 10.9932 13.3125 12.3299 ctod initials	-0085 19 -0085 20 -0383 20 -0383 20 -0384 13 -0242 23 -0156 21 -0241 23 -0107 19 -0328 21 -0300 18 -0771 19 -0300 18 -0771 19	1.18
Bioles Ini	Red Price 5 - 105,0007 - 105,0007 5.50 100 3855 5.22 167,0891 5.12 100 3825 5.11 102,5750 5.16 102,5878 5.07183,74084 5.07183,74084 5.17 104,7778 5.18 109,0046 5.12 110,4538 5.15 109,0046 6.12 110,4538 5.15 109,0046 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.12 110,4538 6.13 14577	+65 Hg -0278 1002 -0278 1003 -0278 1055 -0470 1055 -0470 1055 -0571 1055 -1357 1055 -13	100.000	Trans 12 to 12 to 12 to 13 to	2005	表 102 - 255 - 7.67 - 6.60 - 7.22 - 845 - 845 - 845 - 6.20 - 5.23 - 5.25 - 5.25 - 5.25 - 5.20 - 5.20 - 5.20 - 5.20 - 5.20 - 5.20 - 6.00 - 7.22 - 6.00 - 7.22 - 8.00 - 7.22 - 8.00 -	Red Price 4.88 130.8554.85 4.87 120.855 4.89 130.830 4.89 130.830 4.89 130.830 4.89 116.800 4.85 176.900 4.85	77 - 6982 44 - 5534 80 - 7136 80 - 7572 14 - 7567 44 - 7793 7 - 4639 7 - 4639 7 - 4639 8 - 5601 8 - 26501 8 -	15.46 15.51 15.31 12.40 111.73 121.62 12.55 12.55 12.51 114.57 114.57 114.57 114.53 114.53 114.53 114.53 114.53 114.53 114.53 114.53 115.53 11	124.50 127.40 113.85 123.96 110.93 110.93 110.93 110.90 113.46 113.47 113.47 193.38 101.60 125.45 127.56 95.74 115.07	2-2pc	Indiand 399 01 03 744 41 3 3 09 113 116 20 21 30 61 61 61 61 61 61 61 61 61 61 61 61 61	(1) (1) (1) (1) (1) (1) (1) (1) (1) (1)	(2) 3.76 11 3.02 2 2.48 2 2.48 2 2.413 1; 1.86 2 1.20 2 1.20 2 1.99 2 1.90 2	95.4578 92.6656 94.4267 12.5281 33.4984 14.9319 17.3627 10.9932 13.3125 12.3299 ctod initials	-0085 19 -0085 20 -0383 20 -0383 20 -0384 13 -0242 23 -0156 21 -0241 23 -0107 19 -0328 21 -0300 18 -0771 19 -0300 18 -0771 19	1.18
## (Lines up to Free Years) 10 Reg Felo 1983	Red Price 5 - 107,0007	- 65 - High - 65 - High - 65 - High - 65 - High - 65 - 65 - 65 - 65 - 65 - 65 - 65 - 6	1 100.00 1 100.00 1 100.07 1 100.57 1 100.57 1 100.00 1 100.	Trans 12*co Trans Pape Trans Pape Trans Pape Trans 11*co Trans 11*co Trans 12*co Trans 12*co Trans 14*co Trans 14*co	: 2005	# 102 - 202 - 202 - 203 - 203	August 1986 1906 19	7 -8982 4 -5634 8 -7136 0 -8122 0 -8122 1 -7567 4 -7383 7 -4639 7 -4639 7 -4639 7 -4639 7 -4639 7 -4639 8 -8501 5 -7841 3 -6501 6 -8601 7 -8601 7 -8183 8 -97701 1 -6183 2 -8547 5 -8373 0 -8067	15.46 15.53 15.31 122.40 111.73 121.62 125.53 129.66 120.51 114.67 114.74 112.35 129.64 123.64 123.64 123.64 123.64	124,50 127,40 113,85 110,47 104,95 109,33 119,81 110,80 113,46 112,82 113,97 116,90 126,45 127,56 95,74 1118,90 115,07	2-2pc	Indiand 399 01 03 744 41 3 3 09 113 116 20 21 30 61 61 61 61 61 61 61 61 61 61 61 61 61	Moles (1) 例 1般 (78.5) 2.5% (78.5) 2.5% (78.5) 1.5% (78.5) 1.5% (74.5) 1.5% (74.5) 1.5% (84.5) 1.5%	(2) 3.76 11 3.02 2 2.48 2 2.48 2 2.413 1; 1.86 2 1.20 2 1.20 2 1.99 2 1.90 2	95.4578 92.6656 94.4267 12.5281 33.4984 14.9319 17.3627 10.9932 13.3125 12.3299 ctod initials	-0085 19 -0085 20 -0383 20 -0383 20 -0384 13 -0242 23 -0156 21 -0241 23 -0107 19 -0328 21 -0300 18 -0771 19 -0300 18 -0771 19	1.18 189. 5.40 186. 1.23 125. 5.05 209. 5.03 189. 1.17 197. 1.48 177. 1.48 177. 1.49 177. 1.40 177.
## (Lines up to Five Team), as Rig Fels 1983	Red Price 5 - 107,0007	- 65 - High - 65 - High - 65 - High - 65 - High - 65 - 65 - 65 - 65 - 65 - 65 - 65 - 6	1 100.00 1 100.00 1 100.07 1 100.57 1 100.57 1 100.57 1 100.00 1 100.75 1 100.	Trans. 12 kgs Trans. 12 kgs Trans. 18 kgs Trans. 18 kgs Trans. 18 kgs Trans. 17 kgs Trans. 17 kgs Trans. 19 kgs Tr	2005	# 102 - 102 - 205 - 7.07 - 7.03 - 7.03 - 8.03 - 8.03	Red Price 4.88 130.8554.85 131.2864.87 130.8554.86 131.2864.87 130.8534.86 130.8534.86 130.8534.86 130.8534.87 123.86 130.8534.87 130.8534	7 -8862 4 -5634 8 -7136 0 -8136 1 -8756 6 -3574 4 -3636 7 -4639 0 -8123 5 -8639 6 -2646 4 -2666 4 -2666 4 -2666 1 -6183 2 -8547 5 -8373 0 -8057 4 -9153 0 -8057 4 -9153	15.65 15.31 15.21 12.20 111.73 121.62 129.51	124.50 127.40 113.85 110.47 104.95 109.33 110.80 108.90 10	2-type 4-type 4-type 4-type 1997 Ct 1998: 16	influed 39 01 03 03 09 11 13 12 24 24 30 51 press to press to di face benerio di 13 13 14 Fixed 1	Moles (1) My 1 186 My 1	(2) 3 3.76 11 3 3.02 2 3 2.46 21 2 2.73 11 1 1.85 25 1 2.01 2 2 2.01 2 1 2.02 11 1 2.09 2 1 2.03 11 1 3.99 2 1 1.99 2 1 1.99 2 1 1.97 11 1 1.97 11 1 1.97 11 1 1.97 11 1 1.97 11	95.4578 12.5756 12.5756 12.5756 13.4564 14.9319 27.0437 11.3592 11.3592 12.3296 10.3125 10.312	0085 191 0085 20 0089 20 0049 13 0241 23 0158 21 0241 23 0102 21 0108 21 0500 18 0721 18 072	18 18 181 185 185 185 185 185 185 185 18
### (Lines up in Francis Int 1876	Red Price 5 - 107,0007	- 65 - High - 65 - High - 65 - High - 65 - High - 65 - 65 - 65 - 65 - 65 - 65 - 65 - 6	1 100.00 1 100.00 1 100.07 1 100.57 1 100.57 1 100.57 1 100.00 1 100.75 1 100.	Trans. 12 legs Trans. 12 legs Trans. 18 legs Trans. 18 legs Trans. 17 legs Trans. 11 legs Trans. 11 legs Trans. 13 legs Trans. 15 legs Trans. 15 legs Trans. 15 legs Trans. 15 legs Trans. 16 legs Trans. 17 legs Trans. 18 legs Trans.	2005	10 10 10 10 10 10 10 10	August 131,285 4,88 131,285 4,87 130,855 4,89 136,531 130,531	7 -8862 4 -5634 8 -7136 8 -7136 6 -7560 6 -3574 4 -7560 7 -4639 0 -8123 5 -7801 2 -8632 6 -8173 8 -9173 8 -9173 8 -9173 8 -9173 8 -9173 7 -8183 0 -8183 0 -8183 0 -8183 0 -8183 0 -8067 4 -9976 1 -9173 1 -91662	15.6 15.3 15.3 1	124.50 127.40 113.05 170.47 104.95 170.47 104.95 110.80 103.36 112.82 101.80 103.46 10	2-laps 2-laps 2-laps 2-laps 3-laps 3-laps 3-laps 2-laps 2-laps 2-laps 3-laps 3-	letted 39 30 10 10 10 10 10 10 10 10 10 10 10 10 10	Moles (1) (1	(2) 3 3.76 11 3 3.02 23 3 2.46 22 2 2.13 11 1 3.05 23 5 1.97 22 5 2.02 19 1 2.05 2.07 1 1.93 27 1 1.93 27 1 1.93 27 1 1.94 27 1 1.95 27 1 1.97 27 1 1.97 27 1 1.97 27 1 1.98 27	95.4578 92.6656 94.4267 12.5281 33.4984 14.9319 17.3627 10.9932 13.3125 12.3299 ctod initials	.0085 161 .0085 20 .0085 20 .0083 20 .0189 13 .0242 21 .0158 21 .0241 23 .0168 21 .0168 21 .0168 21 .0168 21 .0173 38 .0168 10 .0173 38 .0173 38 .0173 38	1.18 (81.154) 1.18 (81.154) 1.18 (81.154) 1.18 (81.154) 1.18 (91.154) 1.
### (Lines up to Fee Years) and Rig Rate 1995 — 12-40 1995 — 12-40 1995 — 12-20 199	Red Price 5 - 105,0007 - 105,0007 5.50 100,3855 5.22 191,0891 5.72 100,325 5.11 102,5750 5.18 102,5750 5.18 102,752 5.08 110,2752 5.08 110,2752 5.11 104,7708 5.15 109,0046 5.15 109,004	- 65 - High - 65 -	1 Low 15 100,000 100,0	Trans. 12 kgs Trans. 12 kgs Trans. 18 kgs Trans. 18 kgs Trans. 17 kgs Trans. 11 kgs Trans. 18 kgs Tr	2005 - 2005 - 2005 - 2005 - 2005 - 2005 - 2005 - 2006 - 2006 - 2006 - 2006 - 2006 - 2006 - 2006 - 2006 - 2007 - 20	No.	Ned Price 4.88 130.855 4.89 130.855 4.89 130.855 4.89 130.855 4.89 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.81 130.855 4.85 140.515 4.85 14	7 -8862 4 -5634 8 -5732 6 -5732 6 -7560 5 -3574 4 -7560 5 -3574 4 -7560 7 -4639 9 -8632 5 -8632 5 -8632 8 -8761 1 -5832 5 -8373 0 -8057 5 -8373 0 -9057 4 -9057 5 -8373 0 -9057 7 -1.0662 3 -1.1101	15.65 15.33 15.21 11.03 11.03 12.12 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 12.13 13.14 13.13 13.14 13.15 13.15 13.17 13.17	124.50 127.40 127.40 113.65 110.47 140.53 110.83 110.83 110.83 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.82 113.83 11	2-lane 1-lane 1-	Section 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Modes (1) (1	(2) 3 2.16 11 3 2.26 22 2 46 22 2 46 22 2 1.85 22 2 2.07 12 2 2.07 11 1 1.99 27 2 1.97 12 1 1.99 27 2 1.97 12 5 1.97 12 6 0 to particular Red 5 5.12 5 5.50	95.4576 95.4576 94.4587 12.5281 13.40519 13.40519 17.3027 1	.0085 191 .0085 293 20 .0749 13 .0242 24 .0759 211 .0241 23 .0759 211 .0241 23 .0759 211 .0737 194 .0737 1	Lie (80,000 L) Lie (8
## (Lines up in Fire Parties Int Lines up in Fire Parties Int Lines up in Fire Parties Int Lines Int Lines L	Red Price 5 - 107,0007	+65 High -0278 1002-2-1005 1052-2-1017 1002-2-1057 1002-3-1057 100	1	Trans. 12 legs Trans. 12 legs Trans. 18 legs Trans. 18 legs Trans. 18 legs Trans. 18 legs Trans. 11 legs Trans. 19 legs Trans. 13 legs Trans. 19 legs Trans.	2005 - 20	No.	Red Price 4.88 130.8554. 4.89 130.8554. 4.87 120.8554. 4.89 130.8554. 4.89 130.8534. 4.89 130.85	77 - 5882 44 - 5634 46 - 5634 56 0 - 5732 56 0 - 5732 57 - 463 57 - 47 - 483 57 - 463 57	15.45 15.31 15.21 15.21 15.25 15.21 15.25 15.21 15.25 15.25 15.25 15.25 15.25 15.25 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25 15.21 15.25	124.50 127.36 127.36 112.47 10.47 10.93 110.60 110.80 110.80 112.82 112.82 112.83 112.83 112.83 113.46 112.83 113.46 112.83 113.46 113.	2-box	Inhard 395 395 395 395 395 395 395 395 395 395	Moles 11 158 1.	(2) 3 2.16 11 3 2.02 2 2 46 2 2 2 2 46 2 2 2 2 2 2 2 2 2 2	96.4576. 10.2626 10.46	.0085 191 .0085 201 .0085 201 .0189 203 .0189 231 .0159 211 .0241 232 .0159 212 .0107 192 .0108 272 .0108 273 .0108	100 100
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MASSON MARKET

Pound rises as UK interest rates held

MARKETS REPORT

By Alan Beattle

Sterling rose to record levels against the beleaguered euro yesterday as the Bank of England left repo rates on hold for the first time in six months.

The market had been split on the likely decision of the Bank's monetary policy committee, with around half expecting another cut and half no movement.

The pound leapt against the euro and the dollar in the aftermath of the announcement, and finished up at the end of London trading at \$1.618 against the dollar and £0.675 against the

The short sterling market. which has seen a fair amount of movement in recent weeks as opinion on UK interest rates has shifted around, took a good slice off prices at the front end of the strip. The contract expiring

in June now implies a repo terday.

sarily seen the last rate cut." on Friday and then to 30 per he said. But recent survey cent by March 12. data showing the green shoots of recovery in the manufacturing sector may

and take stock," he added. ■ The Brazilian Real stabilised yesterday after Tuesday's sharp fall.

After opening around the R\$2.17 level, the Real held its own. By the end of trading in London yesterday it was at R\$2.185 against the dollar.

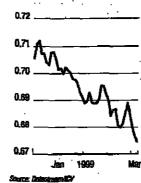
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Mar 3	···-! stas!	Prev. close -
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1 mm	1.6112	1,6163
3 टार्क	1.6103	1,6157
1 95	1.6117	1,6168

An increase in Brazilian Sterling rate around 5% per cent by banks' compulsory reserve the middle of the year, up requirements on time deposfrom closer to 5 per cent yes its on Tuesday may have helped to stem some of the One analyst said that the capital flight from the counmarket saw the MPC in try. The reserve requirepause mode at the moment. ments will be increased from "I don't think we have neces- 20 per cent to 26.5 per cent

The Brazilian central bank made the move with the aim of reducing the ability of have caused them to pause investors to take their money out of the country. Analysts said that the impact would be limited because the new regulation applied to the less liquid time, rather than sight,

> But it was evidence that the central bank would fight depreciation if it threatened to get out of control and stoke inflation, they said. Kevin Daly, emerging markets strategist at Standard and Poor's MMS in London, said that the pressure on the Real from foreign exchange

Agrainst the euro (€ per 5)



obligations coming due was likely to override this attempt to prop up the cur-

"The overshooting process has not finished," he said.
"But the policy options are limited. If the central bank raises interest rates to defend the currency, there will be a negative effect on the fiscal deficit."

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bly somewhere between money market and guiding R\$1.75-2.00. "But these levels rates down. are unattainable until the currency has bottomed out," be said. "And the experience

Japanese interest rates sibility of capital repatriatowards zero helped to tion by Japanese banks although the currency year driving up the yen. remained well within its range of the past two weeks. The overnight call rate in

Japan's continued policy of ing it was at Y121.3.

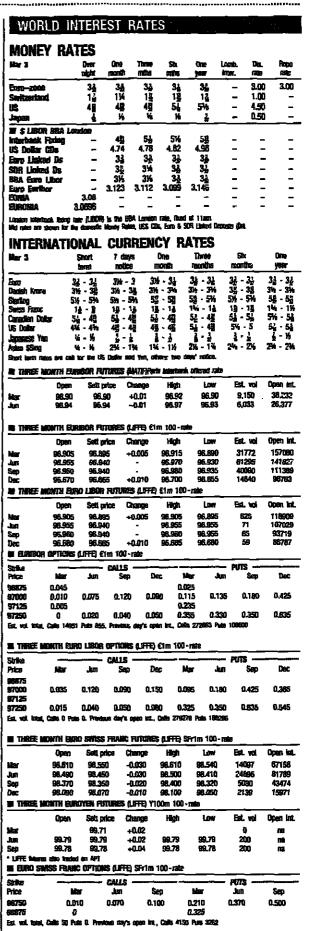
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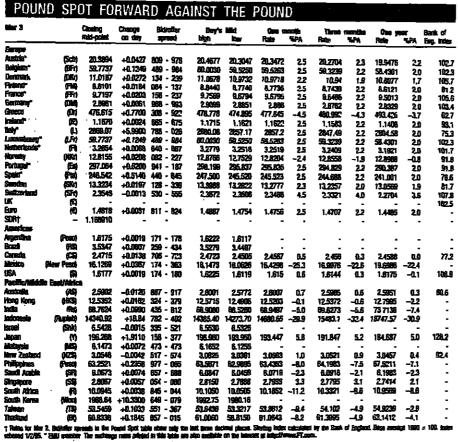
value for the Real was proba- pushing liquidity into the

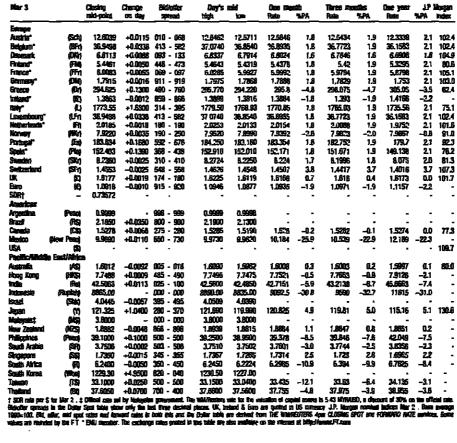
Yields on JGBs also fell sharply, which in turn helped the yen to fall. There of east Asia suggests that has been a significant correcould be some time," he lation between bond yields and the yen-dollar rate in recent weeks. The Bank of ■ The continued sinking of Japan is sensitive to the posweaken the yen yesterday, before the end of the fiscal

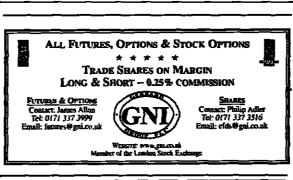
The yen dipped below the Y121 level early in the Asian trading session, and continthe Japanese money market ued to sink slowly throughapproached zero yesterday, out European trading hours. following the Bank of At the end of London trad-

> Attention in the market shifted to what the Bank of Japan's next move to kick start domestic demand might be, particularly in view of vesterday's comments by BoJ Board member Kazuo Ueda that more options for credit easing were being considered.















The FT GUIDE TO WORLD CURRENCIES, published in Monday's espaper and covering over 200 correncies, is now available by dialing to following number from the handset of your fax machine, 0906 843 7001. Calls are charged at 60p per minute at all times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.





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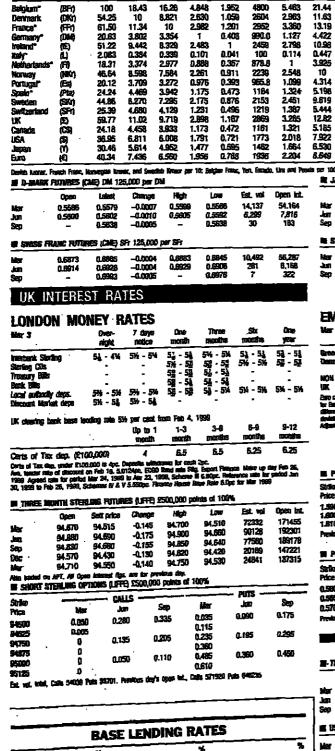
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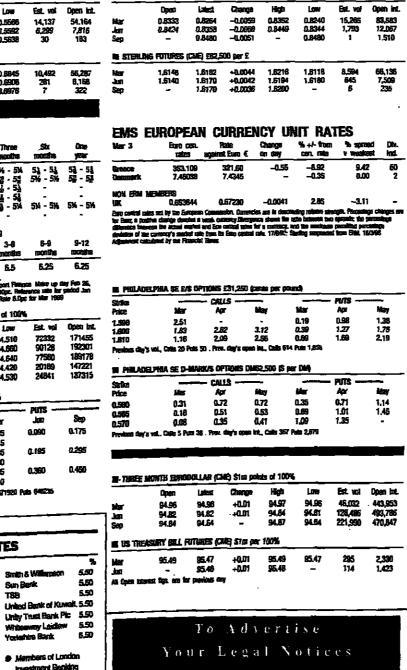
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Crude oil rises on US inventory figures

MARKETS REPORT By Robert Corzine, Gillian O'Connor and Paul Solman

Oil prices rose in reaction to new data showing a weekon-week fall in crude oil stocks in the US, the world's

biggest petroleum market. Brent Blend for April delivery was quoted at \$11.33 a barrel in late trading on London's International Petroleum Exchange, up 33 cents from Tuesday's close. The market was buoved by separate surveys by the

A is in trouble. Exports in both value and volume

terms have crashed, real

wool prices are at their low-

est ever and stocks of wool

yarns remain stubbornly

high in Japan and western

the number of specialist

This has happened despite

this decade.

American Petroleum Institute and the US Department of Energy showing crude inventory reductions of 5.9m barrels and 3.2m barrels

There had been fears that a cut in US refinery runs might cause yet more oil to be added to the crude surplus that has depressed oil prices over the past year. Uncertainty over when Iraq might be able to restore

Australian wool industry

shipments through its pipe-line to Turkey also helped lift prices, although United Nations officials said there

was a chance that operations need an 85 per cent majority could be restored as early as of the IMF executive board

last night. The idea floated by UK chancellor Gordon Brown yesterday that the IMF should sell some of its gold holdings to help the world's poorest countries is far from new. However, gold experts believe it has a good chance of being adopted by the IMF this time, since the German and US governments have ceased to oppose the plan. The idea could be dis-

cussed at the G7 summit this

summer, but would still

at its autumn meeting

has already said it would phase the sales over up to 10 years and not rock the market. The last time the IMF sold gold, in the second half of the 1970s, it did so through public auctions. The gold price was mar-

analysts attributed this to the fall in silver, not to Mr Brown's proposal Andy Smith of Mitsui, a

ginally easier yesterday, but

might increase the likelihood of governments deciding to reduce their own gold O'Connell of

Rhona T. Hoare & Co. a long-term bull, is still expecting a supply shortfall this year, and reckons the market will easily absorb any IMF sales in 2000 and subsequently.

Robusta coffee futures plunged on the London International Financial Futures and Options

15-week low of \$1,545 a losses to continued worries about weakness in the Brazilian real, which are likely to prompt increased exports from the world's largest cof-

fee producer.

Brazil's currency troubles also hit raw sugar futures, which dropped to fresh 12-year lows on the Coffee, Sugar and Cocoa Exchange in New York. In late trading the May contract was 5.90

cents a pound against Tues-Exchange yesterday, the long-term bear of the gold benchmark May contract day's finish of 5.97 cents.

More than 15 per cent of 'With weak retail producers are bankrupt and demand in some wool producers fell by half in the first seven years of

difficult to see plunging Australian wool production. Greasy wool production this decade has when fibre prices fallen 43 per cent to about 635,000 tonnes a year and could once again sheep numbers, at 117m, are

back to 1950s levels. Even before the impact of the Asian crisis began to be felt, the Australian wool industry was reeling from a mixture of poor marketing policies at home and the loss of a big foreign customer the Soviet Union.

In 1988/89 the Soviet Union and its eastern European satellites took about 19 per cent of Australia's wool in control of the stockpile, exports. Today the republics would have been bankrupt.

Sold Colos

ustralia's wool industry of the former Soviet Union buy no Australian wool. Attempts by the Australian wool industry to support prices artificially by operating a reserve price scheme failed. So much wool was purchased by the grow-

hopes for new lease of life

Exports have crashed, prices are at their lowest ever and more

than 15% of producers are bankrupt, writes Stephen Wyatt

key countries, it is

start to rise'

ers body, the Australian Wool Corporation, that in 1990 the industry was sitting on a stockpile of more than 4.7m bales - nearly a year's production - and had a debt of over A\$2bn (US\$1.24bn). Without Australian gov-

ernment guarantees on that

debt, the Corporation, then

fashion and the official wool stockpile was reduced to today's 1.1m bales and the debt to about A\$230m.

Nevertheless, the industry nowhere near recovering. In the midst of the restructuring, the Asian crisis hit with a vengeance. The Australian dollar wool price almost halved between June 1997 and October 1998. In US dollars it fell to US\$3 a kg, its lowest for 25 years. Since October, prices have

struggled a little higher to around A\$4.91 a kg based on the eastern market indicator an average of all wool qualities. However, even the body

charged with promoting wool, the Woolmark Company, finds it difficult to be positive about wool's price prospects. "Recent weeks have

brought signs that fibre prices could be reaching a bottom, with prices for premium fibres, such as fine wool and cashmere, picking up a little," said the Woolmark Company in its latest monthly market briefing.

But "with weak retail demand in some key countries, it is difficult to see when fibre prices could once again start to rise," it added. figures.

What is worrying the wool industry is the lack of response in demand to lower prices. Prices have now been low for five years but still demand is declining, said Bob Richardson, chief executive of Wool International, the body now looking after Australia's remaining wool stockpile.

Australian greasy wool exports fell 19.4 per cent in volume to 632.77m kg and 29

per cent in value to A\$2.77bn in the 12 months to end-January from the year earlier levels, according to recently released Woolmark

"Internationally, commodities are a basket case and for wool, it's a disaster on the demand side," said Mr Rich-Australia's official price

forecasting body, ABARE, holds much the same view. "Weak demand and strong competition from lower priced synthetic fibres are the commodity markets, as

tors contributing to poorer

Australian wool prices in 1998/99," it said in its Australian Commodities quarterly. Nevertheless, the wool industry continues to be one of Australia's most important agricultural sectors, contributing about 10 per cent of the country's gross value of agricultural production and generating export income of about

A\$3bn a year. Australia is banking on wool having a new lease of life, along with the rest of expected to be the main fac- the Asian economies

NEWS DIGEST

POTATOES

Jump in prices boosts futures volumes on Liffe

Sharply higher potato prices across Europe helped boost futures contract volumes on the London international Financial Futures and Options Exchange by 76 per cent last month. Liffe's potato contract recorded average daily volume of 1,749 trades in February compared with 994 during the same month last year, the exchange said. The jump in potato prices since late last year, the result of wet weather squeezing supplies, was likely to have accounted for much of the extra interest in futures, Liffe said. On the cocoa futures market, volumes rose by 75 per

cent last month, though prices have been less volatile than in the potato market.

"Cocoa volumes have benefited from a good deal of switch activity, especially on the forward months," said lan Dudden, head of commodity product development at Liffe. He sald traders appeared to be altering their positions in the light of changes to the terms on the May 2000 cocca

APPLES

World output set for record

Apple production by the world's leading growers is expected to reach a record 45.9m tonnes in the current 1998/99 season, according to the US Department of Agriculture. Large crops in China, the US, Argentina and Chile will push total output up 4 per cent compared with last sea-

son, USDA said in its latest World Apple Situation report. The crop in the US, the world's second largest apple producer, will be 6 per cent bigger than last time at 5m tonnes. The rise has been helped by a 20 per cent jump in the crop from Washington, the country's main apple growing state. Washington will account for more than half the total US production of apples in 1998/99, USDA said.

Chile is also expected to harvest a record crop of Im tonnes, 4 per cent higher than last season. USDA said an increase in the number of fruit-bearing trees, coupled with the end of very dry weather, had boosted volumes. Output from China, the world's largest apple producer, will use 7 per cent to 18.6m tonnes, while Argentina's production is expected to increase by 7 per cent to 1.3m tonnes. Paul Solman

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POWER

Valeria Sköld in Oslo

Elkem to build gas plant

Elkem. the Norwegian metals producer, is expected to reveal joint plans today to build a gas-fired power plant in western Norway worth several billion kroner.

The company, together with Statoil, Norway's stateowned oil company, and Norske Skogindustrien, its largest paper products company, are expected to file for a concession from the government to build and operate a combined heat and power generation plant in Skogn, Norway under the joint venture Industrikraft Midt-Norge.

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I HIGH GRADE COPPE	erneten.			Sett price		High	Low	Yol	Open int	W
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pr 62.95 +0.40	63.80 62.40 63.80 62.95	850 3,064 151 3,630	Jei	103.75 106.25	+2.35	106 75	104,50	265	5,884	Te
ma 63.80 +0.35	63.90 62.90 64.15 63.80	12 1,696	Ang Total	108.75	+2.25	108.75		594 26,0081	5,550 29,087	8
■ 64.10 +0.35	64.60 64.05 64.00 64.00	289 9,515 21 1,452		100AI PAG		70 b		-		P
atal		9,912 77,708	Mar.	9,250 -					3,825	=
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terning fix 286. Bernoon Rx 285.	850 177.33		May	1,745 4 1,775 4	0.015	1.755	1.715	7,344	20,832	-
ey's High ay's Low			Jud-	1.810 + 1.845 +	-0.01 0	1.620	1.500	2.075	16.738	_
revious close 287.90-			Aog Sep	1.885 +			1.875	782	5.863	
nco Ldn Meen Gold Le manda42 mordos42			Total				,	52,4482	,400	
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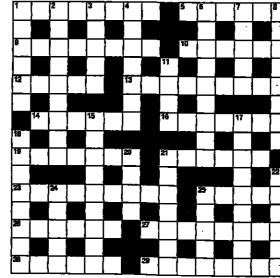
	GR.	AINS BAT UFF	ANI 100 t) Ol	L SE	ŒD\$	·	SOF		î lû toer	es: £/to	mei .			ME	AT AND	LIVE	STO	CK Res
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6	Mar	72,00	4999	a Hilgh 72.00	Low 72.00	1764 1 17	inat 90	Har-	price 880	دوسنده 6-	864	LONE 852		Int 5.595		Price chase 68.250 +0.55			
k	May	74.10	-0.15	74.75	74.00	96	3,501 1,260	Mar May Juli Sep Dec Mar	854 874	-9	863	832	7,266	50,038 14,024	Jun	65,600 +0.15 63,875 +0.02	0 65.825	65,075	2314
1	Sep	74.30	-0.20 -0.20	/9.30	70.00		191	Sep	894	~9 ~8	902	878	1,663	30,484	Oct	65.525	- 65.750	85.225	608
6 1	Jage Jage		-0.20 -0.20	76.75	76.25	29	2,695 431	Dec Mar	918 938	_ _a	922 941	903 928	1,892 611		Dec Feb	67.050 -0.12 57.850 -0.65			
2	Tetal					24	8,213	Total		_	-	-	14,844		Tatzi				9,907
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0 3	Her May						5,294 49,550	illar May	7230 1228		1233 1232			606 34,819	Apr Jon	42.550 -0.50 53.950 -0.97			
2 A	Jos Sep						56,389 5,408	Jul Sep	1259 1276		1255 1280				.bij Am	54.775 -0.90 55.425 -0.22			
_	Dec	294.50	-4,00	299.25	294.50	1,141	7,491	Dac	1313	-16	1318	1295	63	5,999	Oct	54.050 -0.75	0 54.650	54,000	179
9	Mar Total	304.00	-3.30	309.30	303.30		2,330 1 26,52 0	Mer Tetal	1321	-16	1350		10,523		Dec Total	54.875 -0.27	9 92-190		68 8,094
1 6	100 H	EZE CBT (,000 bu	pain; ce	味が他	husbel}		M 600	DA (ICCO)	(SDR's/	pune)				■ PO	RK BELLIES CA	E (40,800	bs; cent	e/fibs)
7	May May						19,016 141,821	Mar 2 Dally		-	Pr cen	CE 20	Pr 1	ev. day na 7 na	Mar May	48.500 +0.72 50.425 +0.85			
-	Jul	221,25	-1.90	222.75	220.25	10,148	105,511		RE UFFE	(5 tonne		ne)		VII.DI	-	31,030 +0.07	5 51 .90 0	50,500	143
7	Sep Dec	228.25 237.25					24,277 85,089	Mar	1742	-53	1805	1735	1,100	9,071	Ang Total	51.250 0.27	5 51.200		32 1,826
7	Migr Total	244.75	-1,25	245.75	244.25		145,8.6 367,358	illay Jai	1742 1547 1535	-66 -57	1618 1588	1545 1535	9,000 1 4,000	24,968 7,830					•
0			E (100	urres, l	g per la			Sep	1934	-	1380	1343	370	4,330					
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	May Sap		-0.50 -0.25		73.75		163 35	Total	## 1° C\$	nc an			15,558	46,112	Strike	price \$ tenne		≥ l ls	— P
	How	75.75	-0.25	75.75	75.50	20	278	War	100.00				_	1 025	■ A LI	STATEMENT B) LIME	âre	Jel	Apr
	Jen Total	11.13	-0.23	-	-		20 556	May	100.65	-3.15	104.00	100.00	4,683	23,002	1150 .		28	61	19
_	= 50	YABENIĞ	CBT (5,	OChu ai	ic; cents	1909b bas	îrel)	Jai Sap	102.30 104.25						1200 . 1250 .		9 2	36 20	49 92
_	Mar May	458.50 467.75						Dec Mar	106.05 107.55						E CC	PPER			-
P.	Jug	477.90	-3.00	480.00	476.50	7.367	44,525	Total					6,145			A) LME		Jul 107	Apr 18
3	Ang Sap	481.00 482.00					14,103 5,022		EE (100) (US cente	s/pound)				1400 .		35	79	39
2	Hoy Total	491.25	-2.55	494.00	490.25		493,3.6 157,087	Mar 2 Como d	ally		90	43	Pa	nr. day 90.31				56 Jul	71 May
7		/ABEAM Q	OL COT	(60,600)	bs: cent				ely Werage					91.96	1800 _		142		1
_	Me						3,914	~	E SUGAR					14 200	1650 . 1700 .		92	15 8	1
	May Joi					17,178 8,311	53,520 32,773	May Aug	201_9	-3.4		200.6	1,772 1	2,405	# CO	COA LIFFE	May	Jul.	May
3	Atay Sep			19.02 19.20			7 <u>,222</u> 7,187	Oct Dec	195.9 196.6		200.5 200.1				900 <u> </u>		13	29 20	59 61
7	Oct			19.30		199	4,357	Mer	201.1	-1.7	203.5	200.0	194	2,989	950	r.1-4	7	14	103
į	Total	(ABEAN N	EAL C	8 C106 1	tons: SA		126,549	May Total	ZI CA	-21	204.6	204.0	5,337 I		1057	ent crude pi	. Nar		Mar
i							7,418	= 506/	WR 71' C	CE (112	,000 0 55,	cents/l	bsj		1100 _		36	-	8 21
	May Jel	127.1	-1.1	129.4	125.8	12,949	47,435 38.893	May Jul			6.09 5 83				1150		23	48	-
-	Ang	131.2	-0.8	132.5	131.0	778	10,940	Oct	5.95	-0.15	6.13	5.91	3,657 2	5,481					
	Sép Oct			134 D 135.5		286	8,979 4,204	Mar May		-0.08	6.72 6.78	6 68		2,642		idon sp		IARK	ETS
1	Total	TATOES LE	ECE 190		c t	-	130,074	Jaci Total	6.69	-0.06	6.74		14 22,241 1		■ CAL	DE OIL FOR ID	a pauley		
	Aper					_	1,900	E COTT	DIN NYCE	(50,000	bs; cent	2/fbs)			Oubei Boost I	Send (dated)		0.71-0.8 0.74-0.7	
į	May Joe	313.0 323.0	-4.0 -4.0	340.0	340.0	17	29	Mar May	66 05 60,56	+0.23	66.25 60.90	65.75 50 73	164 8,474 3			lend (Apr)	Şi	1-29-1-3 2-86-2-88	3 +
	Nov	85.0	-	Ξ	-	-	3	Jul	59.10	+0.03	59.60	58.45	1,536 1	6,392	E ĈIL	PRODUCTS (44	Eprompt d	letivary C	# (born
	Mar Total	1120	-20	-	-	24	1,586	Oct Dec	59.20	-0.15 -0.03	60.00		1,545 1	1,707 6,255		r Gasoline ‡		120-122	
-			_	FE (\$10)	finder p	加		likar Total	0 0.07	+0.07	50.60	50.07	1,883 7	2,045 72,044	Gas Oil Heavy I	Fuel (28)		105-107 \$36-58	
	Mar Apr	945 975	-20 -10	980 986	945 970	18 32	212 885		GE JUICE	MYCE (1	5,000 h s				Kaphth Jet fuel	1	S	104-106 114-115	
	Jul.	845	-5	845	845	19	563	Mar May	85.00 81,85	-1.00		86.00	446 1,407 1		Diesel	ural gas pai	\$	109-110	
}	Oct Jag	950 970	+6	950 1900	950 995	10	370 29	36	81.65	-0.45	82.2 5	80.75	244	5.159	Bacton			23-9.28	_
	Total		Prev			76	2,070	Sep Mov	81.65	+0.70	82.10 82.00			2,218 1,467	Politika	n Argus. Tel Lon			
	BR1	975	979		_			Jan Total	82.15	+0.70	-	-	_ 2,181 2	989 7 ,94 2	■ O(H				
		P AN						_								er prov ozję		287.05 28.00c	
- i	= rul	PEX ONE.)	Day's	.4 BY C	7 1003		Opes		Æ DATA	_				7	Hathan	n (per troy cz.) m (per troy cz.)	,	372.00 350.00	-
Ì		price	وسف		LOW	Vol	ini	traded	nlenest en on COME	X, NYME	X, CBT,	NYCE,	CIME, C	90£	Copper			67.DC	
	Mag Jun	396.25 421.00				18 67	251 329		E Cruste D Interest to					**	Tim (Kur	Sprod) ala Lumprar)		45,00c 19,90r	
	Total														Tan (Me Caddle (w tong Ive weight		258.5 87.020	-2
,		es data Perdete a	upplied	by CMS.				INDi	ree							Pro weight) to weight)†		89,38p 61,39p	+3
•									ir (Base:	18/9/31	= 100 1				Lon. de	y Sugar (raw)	\$	157.70	4
								No.	3 MA	r 2	mont		year I		Berley (y sugar (wize) Eng. fead)		276,50 Unq	4
		bsand ion Spe						1408.4 CAB E	4 14 Tubbos (B	04.7 258. 196	144 101 = 78		1686	3		US No3 Yeffow) US Dark North)		109.00 Ung	
	30 n	sav (in sh	edi) na	t open	(round	ि अपक्	98: [War :	2 Ms	¥ 1	secon Di		700	90 —	Rubber Rubber	(Mar)♥		45.50p	
	3.60	0 SE 2 0 FCA E	LITODE.	Prices	subje	ct affet	oxin i	184.4 Ru 65Ci :	5 18 Spot (Base	4.17 K 1970	= 100)	•	-		Robber	(RIL PSS No1)		46.00p 58,50m	
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	98 k	ndication slowly. In	3,950	CFR.	Merke	t decn	163-	132.6: LNE WA	z 13 Enouse 9	1.17 TOCKS	133 (Icanes)	.45	165.	re	Copra (7 6 1§		445.0z	
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	•	Sett	Day's		Low		Open	
	Ane	88.250	+0.550	68.550	67.55û	5.165	int 53.973	
	Jun	68.250 65.600 63.875 65.525 67.050 67.850	+0.150	65.825	65.075	2314	31,637	
	Aug Det	63.875 65.575	+0.025	64.175 65.750	63.650 85.225	1,138 ANR	15,078	- 1
	Dec	67.050	-0.125	67.100	66.650	277	3,986	
	Feb Tatzi	57.850	-0.650	68.050	67.750	88 8.907	819 114,910	
		AN ROES	CME (4	0.0000bs	Cerds/E			- 1
		42.550 53.950					17,204	1
	Jon Jos	53,950	-0.975	54,450	53,600	2,785	10,287	i
	Ang	54.773 55.425	-0.225	55.650	54,750	287	3,970	ļ
	Oct Dec	54.775 55.425 54.050 54.875	-0.750	54.650	54,000	179	4,536 2,194	
	Total	34.413	-0.213	32.100	P4,023	8,094	43,018	E
		RK BELLI			bs; cent	(Ibs)		- [-
ŗ	iii.	48.500 50.425 51.650 51.250	+0.725	48.900	47.100	810	1,187	- 1
	Jul	50.425 51.650	+0.675	51.050 51.900	49.125 50.500	841 143	2,277 824	
	Ang	51.250	-0.275	51 .200	50,500	32	323	
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reminur Gasoline ‡	\$120-122	+3	res
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eary Fuel CB	\$56-58	4	(5)
aphthe. X tues	\$104-106 \$114-115	+6 +3.5	
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of 1007 1000 2000 per 100	L pythocologic cont	भी का संस्था	4 Reg
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CROSSWORD No.9.929 Set by QUARK



ACROSS eather's 'arsh pattern (8) esentful? You need a 0 To RN. purer gin is

antness (5)

8 Record teacher marks at nashing, giving extra silience within?(8-6) stlience within?(8-6) school (8)
ose of the farming year 11 Worn out and pickled? Not so (4)
15 Time soot load is moved n't partake of so much – s insipid (9) it's not to be taken in (9)
17 Servant subjected to jargon

rowing contest? (7) my unit's region to take mpound diode - one 20 Fix rook in a row (4) 21 Early service piece (7) 22 Change direction around 23 change direction around 24 change direction around 25 change direction around 26 change direction around 27 change direction around 27 change direction around 28 change direction around 28 change direction around 29 change direction around 29 change direction around 29 change direction around 20 c

ying a sport (6)

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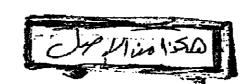
endlessiv (9)
18 Put a new front on building

24 A boat could be capsized O dear! (5)

25 Smell the bouquet (5) Solution 9.928

after a bit of pebble-dash introduced (8)

to wake us up? (7) For solutions to today's crossword call 0906 843 0060.



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> Bet you haven't seen our website... http://www.eaglestarintlife.com EAGLE STAR

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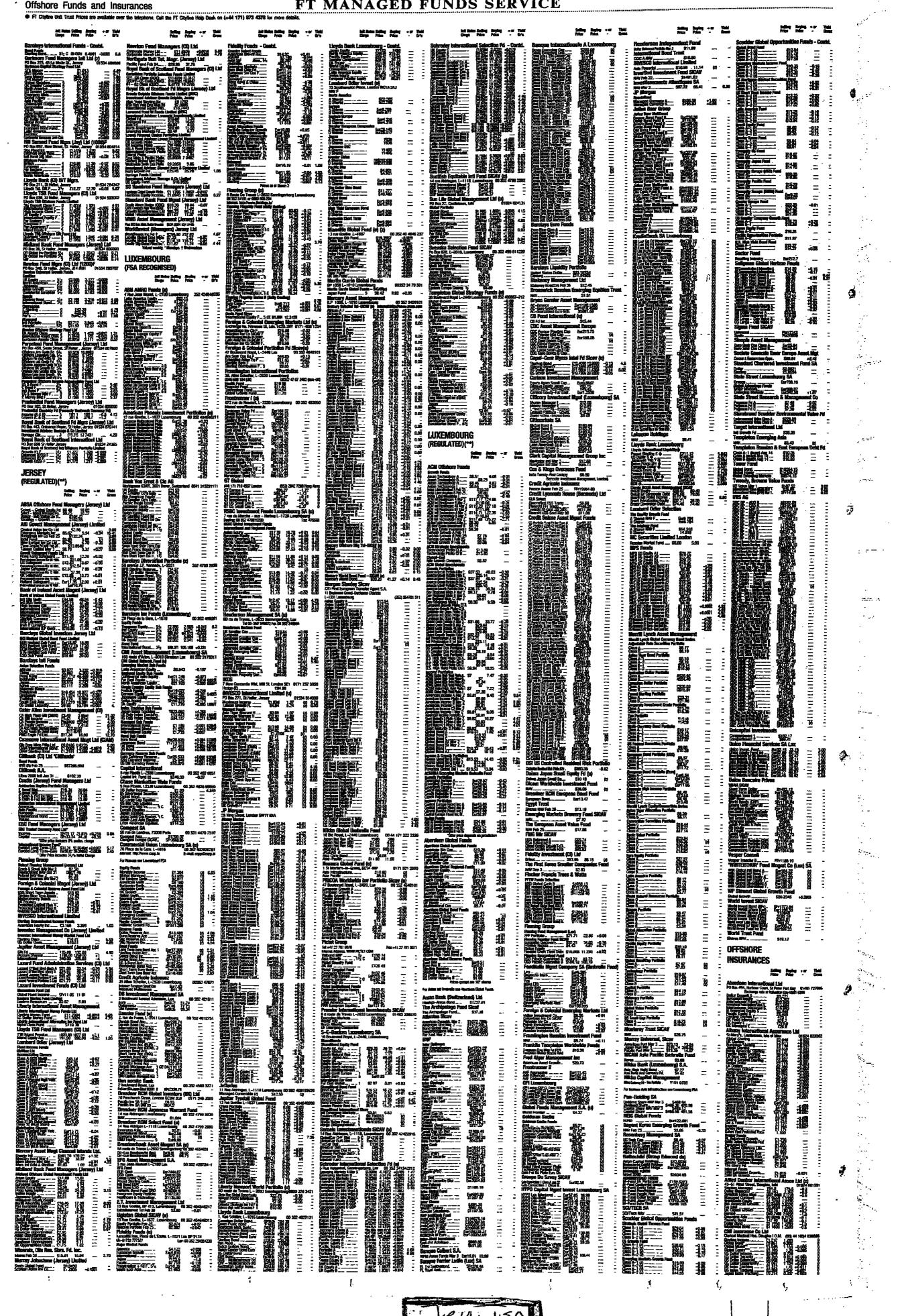
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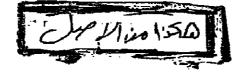
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FT MANAGED FUNDS SERVICE



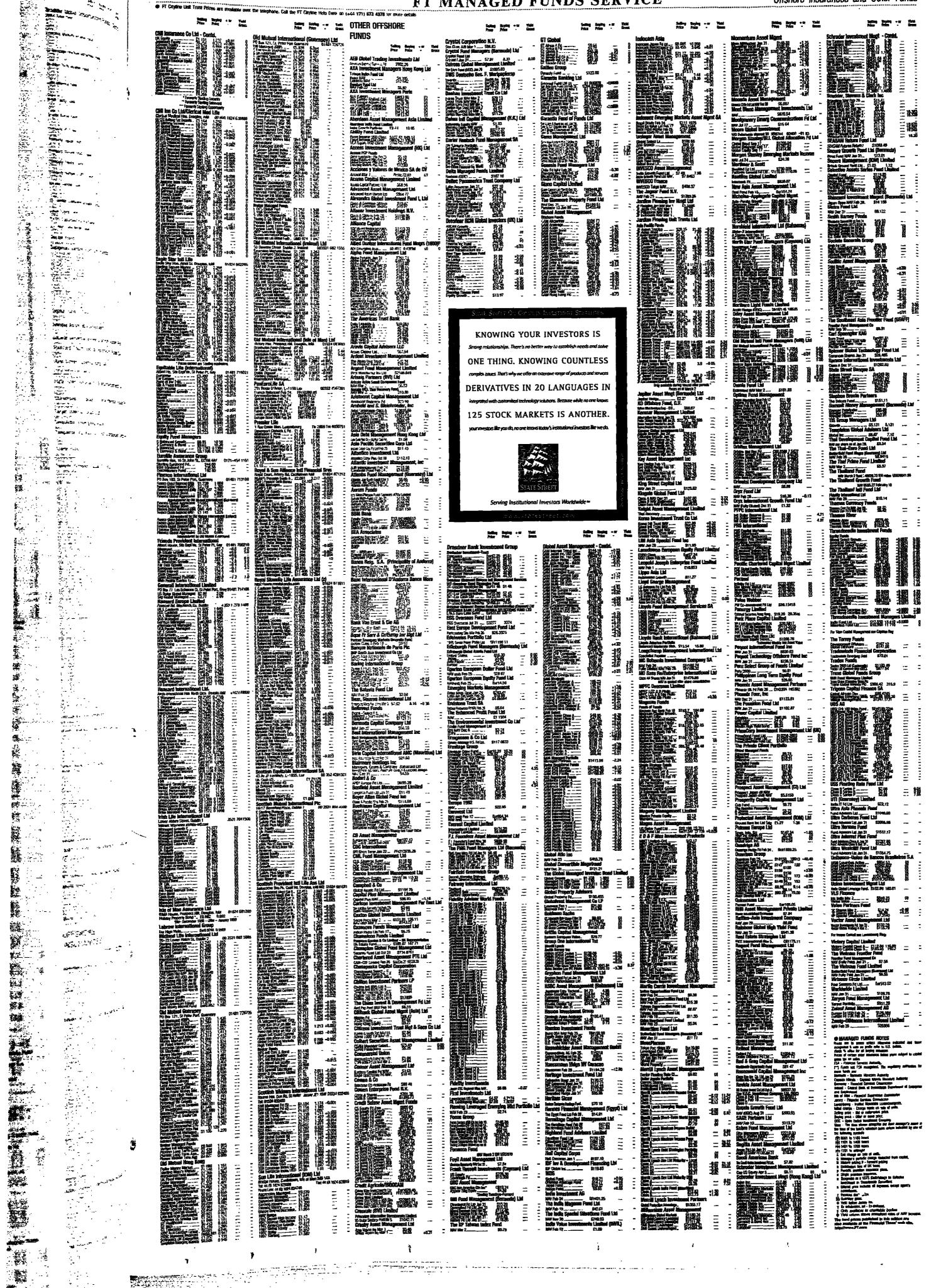


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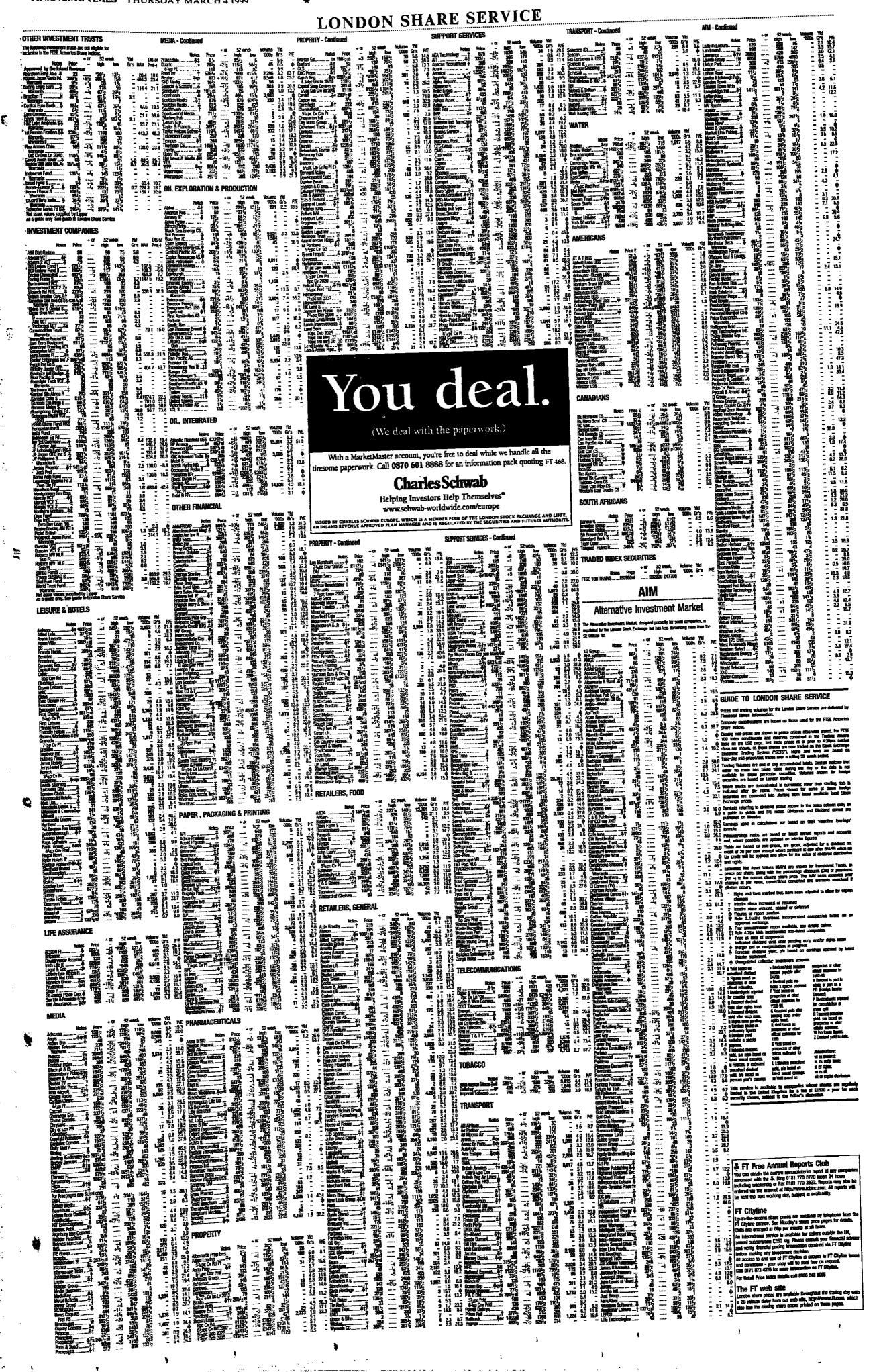
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US bond market weakness unsettles UK equities

MARKET REPORT By Steve Thompson, UK Stock Market Edite

A fresh bout of weakness in the US bond market put paid to a relatively robust performance by UK equities yesterday.

Earlier, bolstered by another batch of mostly well-received company results, London had shrugged off the disappoint-ment of domestic interest rates being left unchanged. The Bank of England's monetary policy committee decided to leave rates on stration by the bulls that the

hold for the first time in six recent bout of weakness, much higher than the the FTSE 100 made rapid months. The previous five during which it fell almost 250,000 consensus forecast, it progress in mid-session. monthly meetings saw rates cut by a total of 200 basis

Although a majority of market observers had expected the committee to leave rates on hold so close to Tuesday's Budget, there were still plenty of optimists in the market who were prepared to gamble on another reduction.

Dealers said the market's positive showing, both before and after the mpc news and before the late sell-off, was a clear demon-

250 points or around 4 per cent in three days, had been But they also warned that

London faced some daunting hurdles over the next few days - the US non-farm payroll report for February. scheduled for Friday, and next Tuesday's UK Budget.

"The US employment report could be a key pointer to the next move in US rates. which will ultimately determine the course of Wall Street," said one marketmaker.

combined with growing bro-

ker support.
Collins Stewart recom-

mended the stock ahead of

investor presentations on

March 9 in London and

senior level with Nasdaq and

the New York Stock

Exchange about a number of

specific subjects. The shares

were up 26 at best, but the weak global share environ-

ment dragged the interna-

tionally traded stock down

Carlton Communications

dipped 8 to 620p as Merrill

to a close of 10% up at 873p.

Reuters said on Tuesday it had been holding talks at a

March 17 in New York.

If US job creation comes in

will be seen as increasing the chances of a US interest rate rise after the next meeting of the US Federal Reserve's open market com-

mittee on March 30. The FTSE 100 was supported for much of the day by exceptionally good earnings reports from GKN, one of the UK's leading engineer-ing groups, and relief over the extent of the Asian bad debt provisions made by Schroders, the leading independent UK merchant bank.

posting a 54.7 gain at 6.116.0. before dipping away late in the day to finish a net 13.0 lower at 6,048.3.

The rather erratic nature of trading in the leaders did not filter through to the second and third-string stocks, which finished the day not far short of their best levels.

The FTSE 250 closed 9.6 firmer at 5,286.9, having touched a session high of 5,292.4, driven by exceptionally strong performances in building stocks, such as early small bout of selling. Stuart, plus a sprinkling of

Jardine Lloyd Thompson, the insurance broker, and British-Borneo, the oil exploration group.

The FTSE SmallCap, meanwhile, settled 6.2 better at 2,282.5, after 2,283.2. Wainhomes, the housebuilder, featured in the small stocks after news of the agreed

management buyout. Turnover in the equity market topped the 1bn shares mark for the first time in three sessions, eventually reaching 1.01bn shares. FTSE 100 stocks After withstanding an John Laing and Hewden accounted for just over 50 per cent of the total.

Volatile day for Rentokil

COMPANIES REPORT By Martin Brice, Peter John and Jeel Kibazo

Rentokil Initial endured a roller-coaster day that included a rogue trade and an influential broker mentioning the prospect of the retirement of Sir Clive Thompson, the chief executive who made the company one of the best Footsie performers for more than a decade.

The rogue trade involved one broker taking out all the offers on the screen at one fell swoop, and pushed the shares from 395p to 525p. It was later cancelled by agree ment with the Stock

The longer-term worry, that the company would need a substantial acquisi tion to achieve its self imposed target of 20 per cen earnings growth in the year. running up to Sir Clive's retirement next year or in 2001, was raised by Geof Allum at Henderson Cros

thwaite. Under Sir Clive, Rentoki has become one of the stock market's darlings, and achieved 20 per cent earnings growth every year for 17 years - until this week's

Mr Allum contrasted the

high earnings growth target with low sales growth, and said this meant Rentokil would find it hard to make disposals without suffering

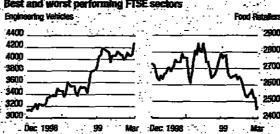
earnings dilution. He suggested that clients switch from Rentokil to Hays, which "operates in faster-growing markets, has a younger management team now in place, and is under

half the size of Rentokil". Rentokil closed down 41/4 at 396%p, amid 23m dealt, while Hays rose 21% to

Reuters Group moved forward strongly in early trading as news of a possible alliance with two US exchanges

		•,						
FT 30	INDEX							
	Max 3	Mar 2	Mar 1	Feb 26	Feb 25	Yr ago	19gh	"LOW
FT 30 Card. 15%, yield	3728.3 2.80	3714,3 2.81	3704.3 2.82	3760.3 2.77			4004.9 4.22	2790.6 2.72
P/E radio net P/E radio nel	22.63 22.57		22.46 22.40		23.05	23.34	25.41 25.19	15.80 15.71
FT 30 state compl								

	Mar 3	Mar 2	Mar 1	Feb 25	Feb 25	Yr ago
SEAO bargains	75,015	74,655	80.169	83,237	86,811	n/a
Equity turnover (Emit	-	3859.7	3278.1	4248.0	3963.2	n/a
Equity bengains:	-	63,788	67,671	69,551	64,687	n/a
Shares traded (m)†	-	987.3	810.9	961.8	897.3	n/e
lobsi market bargeirst	-	75,320	81,132	87,152	81,308	
Total turnover (Em)\$	-	4941.6	4263.2	5504.6	5220.B	
Total stys traded (m);	1009.A*	1219.5	1002.6	1223.9	1141.8	
Tradepoint furnimer (£)11	1) 20.9	31.6	16.5	26.6	35.0	51.5
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from "buy" on valuation grounds

The bears were out in force in Marks and Spencer sending the shares tumbling on renewed worries about the weakness in the UK clothing sector.

Recent buyers of the stock were hoping the worst was over for the UK's biggest clothes retailer, which gave a profits warning this year. However, a CBI distributive trade survey pointed to the continued weakness in the market while poor figures from two of the group's suppliers and a downgrade by rating agency Moody's all combined to trigger a sell-off in the stock yesterday. The shares fell 14% to 380%p after

trade of 16m. Clothing designer and manufacturer William Baird, one of M&S's biggest suppliers, reported a decline in 1998 profits and warned the first half of the year would be hit by the UK economic slowdown. Dawson International also reported a decline in profits.

There was more bad news for Marks when Moody's said it had lowered the

		Food Retailer
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	 	2400

senior debt rating of the company's guaranteed subsidiaries to Aal from Aaa and was maintaining its negative outlook.

This week, WestLB Panmure advised clients to sell the stock, saying a fair value price for the shares was no more than 300p. William Baird shares

eased 4 to 105p, while those of Dawson International surrendered 2% to 13%p. In the rest of the retailers, profit-taking in Arcadia Group left the shares trailing 18 or nearly 8 per

Energis strong

cent at 213p.

In telecoms, Energis, the recently, was in demand yes- cost the industry around terday, the shares jumping £8bn to implement. 120 to £15.80.

The group confirmed it is in discussions with Viridian Group to form a joint venture to build a network and

a buyer of the shares and previously. raised its price target to £18. The broker said: "The question is whether investors can recommendation from ABNexpect similar outperformance over the next 12 26 to £12.90 in response to months from the current share price. We believe the flow of corporate activity from Energis, coupled with

casts, justify a further rerating of the stock." Viridian Group shares and 700p within 12 months.

improved 24½ to 733p with WestLB Panmure said to

favour the stock. Securicor fell 5% to 579p, on reports of disappointing subscription figures for February at mobile phones operator Cellnet in which it has a 40 per cent stake. British Telecommunications holds the outstanding 60 per cent in Cellnet and its shares eased 8 to £10.66.

BOC jumped 241/4 to 858p as Credit Lyonnais Securities issued a positive note on the industrial gases group. The broker reiterated its "buy" stance and argued

that the shares were unfairly cheap in comparison with continental peers such as Air Liquide of France and Aga of Sweden.

Reckitt & Colman lost 141/2 at 800p in front of results next week.

Severn Trent rose 7 to 903p in the belief that recent falls had been overdone. Other stocks in the sector also trickled higher. United Utilities were up 11/4 at 780p and Thames 7 better at £10.22. Water stocks had been driven down on Monday after Michael Meacher, UK environment minister. subject of strong selling announced plans that would

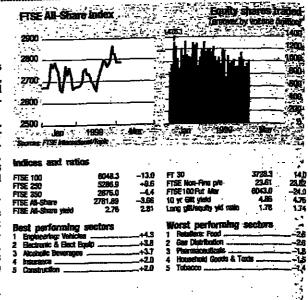
> Britannic fell 97 to £10.65 following results which dis appointed the market.

Although the profits were up almost 9 per cent, the provide services to Northern embedded value of the life Ireland business customers. and pensions business was Henderson Crosthwaite is down at £407m from £438m

> CGU moved up 271/4 to 9551/2 with dealers citing a Amro. Schroders advanced

Exposure to a falling mar-

ket saw fund manager Amvescap slip 10% to 604%p. consistent outperformance However, there was support over analysts' trading fore- from CSFB, which says the shares are worth 650p on a discounted cash flow basis



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U.S. \$7,000,000 Undated Floating R	·
•	Dated Floating Rate Note:
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	, d Notes due February 199
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Interest Rate	
Undated Notes	5.185% per annum (LIBOR 5.125 ÷ 0.06%)
Dated Notes	5.0625% perannum
Interest Period	26th February 1999 to but exclu 31st August 1999
Interest Amount due	
Undated Notes per U.S. \$ 10,000 Note per U.S. \$250,000 Note	U.S.\$ 267.89 U.S.\$6,897.29
Dated Notes	
per U.S. \$ 10,000 Note per U.S. \$250,000 Note	U.S. \$ 261.56 U.S. \$6,539.06
Credit Suisse Fi	irst Boston (Europe) Lto

CORRECTION NOTICE

NOTICE TO HOLDERS OF US\$72.000,000 0.5% Convertible Bonds of Lite-On Electronics, Inc. NOTICE IS HEREBY GIVEN that pursuant to 6(8)(i) of the T Condition of the Offering Circular, the Conversion Rights suspended from March 12, to the Record Date, 1999, March 4, 1999, Londo CITIBANCO Citibank, N.A.

EUROFIMA opean Company for the Pin of Refroed Rolling Stock U.S. \$250,000,000 Deutsche Mark LIBOR Based Floating Rate Notes due 2002 For the Interest Period 3rd March, 1999 to 3rd June, 1999 the Notes will carry an Interest Rate of 5.375% per annum with Coupon Amounts of U.S. \$13.74, U.S. \$137.36 and U.S. \$13,736.11 per U.S. \$1,000, U.S. \$10,000 and U.S. \$1,000, 000 Notes U.S. \$1,000,000 Notes respectively. The relevant interest Payment Date will be 3rd June, 1999.

Swiss Bank Corporation

Merita Bank Plc ¥3.000.000.000 red Donal Con Perpennal Notes Notice is bereby given that pursuant to Condition 6(b) of the Notes, Merita Bank Pic will edeem all of the Notes ar thei rincipal amount on the nex 999 when interest on the Norce rill cease to accrue. Fiscal Ages tch March, 1999

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TSE 350	2652.9	2614.0	2686.2	2661.
FTSE Non-Financial	28 15. 86	2778.42	2646,90	2630.5
FTSE Financial Group	5263.96	5145.56	4948.99	4877,7
TSE All-Share	2757.56	2714.51	2591.98	2571.19
TSE Eurotop 100	2771.08	2795.78	2617.70	2565.6
TSE Eurotop 300	1208.00	1212.03	1133.97	1110.10
T/S&P-A World Index	306.27	310.56	296.68	288.0
TSE Indices				
T Gort Securities	115.18	116.43	114.95	111.9
T Fixed: Interest	157.33	157.70	155.71	151.17
T 30	3659.0	3533.1	3431.8	3383.
TSE Gold Mines	928.37	978.40	960.02	1109.0
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Tía S.A. U.S. \$60,000,000 U.S. \$30,000,000

1	Floating Rate Notes, Series B due 2001
	The nonce is being published in connection with the Indenture dated as of 30th December, 1997, by and among Tis S.A., is usuar the "lauser". Bankers Titus Company, as trustee, co-register and principal poying agent (the "frustee"), and Bonco Liniers Sudamencano S.A., is paying agent (the "Pring Agent"), as upylemented by the First Supplemental Indenture (the "First Supplemental Indenture"), dated as of 30th December, 1997, by and among the Issue, the Trustee and Banco de Liniers Sudamental Supplemental Indenture (the "Second Supplemental Indenture"), dated as of 30th July, 1998, by and among the Issue, the Trustee and Banco de Liniers Sudamenton S.A. and Benkers Trust Company, London Banch (collectively, the "Paying Agents") (the Indenture, the First Supplemental Indenture and the Second Supplemental Indenture. Collectively, the "Indenture"). Capitalized nerms not defined herein shall have the measuring ascribed to them in the Indenture.
	You are hereby informed that a Change in Control occurred on 29th January, 1999, dare on which Supermarkers Acquisition 5A, purchased indirectly from the Permittal Hobbers 107th of the waying strick of the faster.
ı	Putnant to terms and conditions of the Nates, you are hereby informed that: 1. The Repayment Date will be 31st March, 1999.
1	7 The render date will be 19th March, 1999.
l	 Any Northvolder wishing to exercise its right to reparament shall deliver to a Paying Agent at the address indicated in postgraph 5 below an Option to Elect Repayment, on or before 19th March, 1999.
	4. On the Repsyment Date all Noteholders who have delivered an Option to Elect Repsyment by the tender date shall deliver any Note to be repaid to a Paying Agent. Such Notes shall be post at a price canal to 101% of the prancipal amount to be repaid, prepriner with accrued interests payable to the Repayment Date. Interests thereon shall uses to accrue on and after the Repayment Date.
	5 Notes are to be summedered for payment from 9 a.m. to 5 p.m. at the offices of the Banker's Tree Company, Corporate Treat and Againety Services, 4 Albumy Street, 7th Floor. New York, NY YOMO United States of America; or (to) Barnot Limits Sudametricano S.A., Esmeralda 33, (1025) Buenos Aires, Argentina Holders of the U.S. \$30,000,000 Floating Rate Notes, Serice B, due 2001 may also surrender their notes for payment at the office of Bankers Trust Congramy, London Branch, Corporate Trust and Agency Services. I Appold Street, Broadgare, London BCZA 2HE, United Kingdom.
١	6 If any Note is in he repaid in part, on or after 31st March, 1999, upon surrender of such Note, a new Note in principal amount equal to the portion not repaid thereof

FRF 3,800,000,000 AXA-UAP Subordinated Purpetua Step-up Notes he period from March 1, 1997 to 1, 1999 the Notes will carry an interest 1 JASPA, per attante with an Convent t of FEF 96.500 per FEF 100.000 Note FEF 3.652.00 per FEF 1,000,000 Note 1 Paribas

PARIBAS LLEGERATOR

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PUBLIC SPEAKING Training and speech writing by award winning speaker. First lesson free. Tet (01727 861133)

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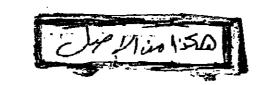
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Tage of FISE Australian is modifiable on http://www.fise.com.

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Detection: Division Group (FTSE Ausgring): Reme Change: COJ Hidgs now XIXO Group (FTSE Ausg.) <u>FTSE</u>

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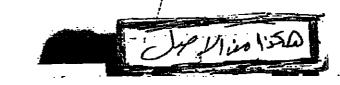
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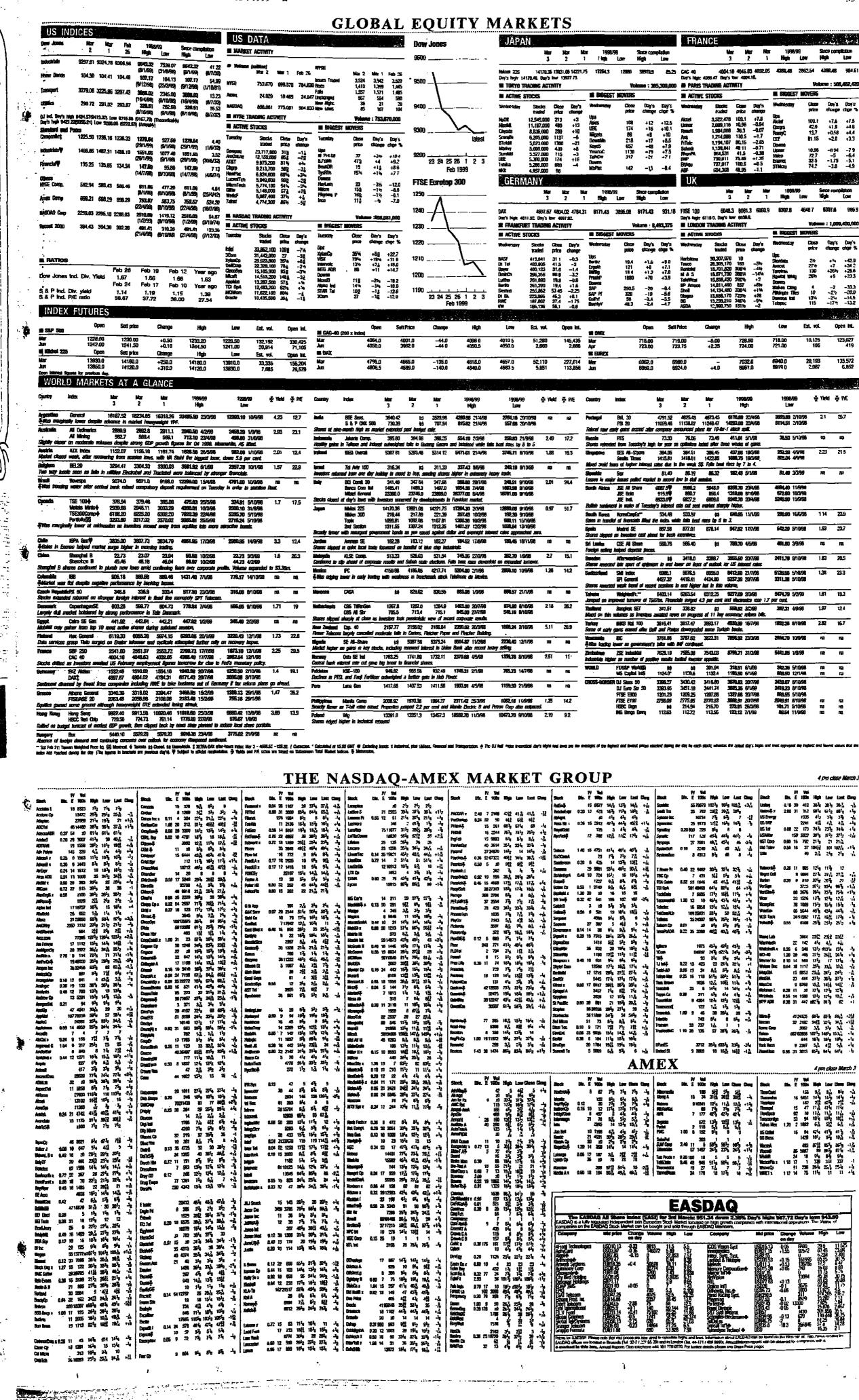
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STOCK MARKETS

European bourses fall before ECB meeting

WORLD OVERVIEW

The run-up to today's meeting of the European Central Bank proved uncomfortable for euro-zone stock markets, which pushed steadily lower in spite of broad neutrality in Asia and on Wall Street in early trading, writes Jeffrey Brown.

Frankfurt led the way Xetra Dax index sliding 2.7

ing political rows in Germany over monetary policy and corporate tax reform. Investors mostly took their

cue from German bonds, where yields edged up to their highest level this year at 4.125 per cent for 10 years. The knock to equity sentiment was widespread, Madrid lost 1.5 per cent and Paris and Amsterdam more The Bank of England, by

holding UK rates, did its bit

dent the ECB would follow in Europe. suit today.

However, in advance of payrolls, where the broker consensus for February data shows a fairly wide range of possible returns, investor confidence was put severely to the test.

The day's mixed run of companies like insurer Aegon and international the main guide to direction. tor concern for the escalat- to soothe fevered brows and brewing brand Heineken

€2.16 at €36.99.

BMW shed €24 at €599.99

and DaimlerChysler, hit by a

further wave of safety scare

this time involving its small

€79.86. Cyclicals lost ground

with Linde down €14 at €482

and Henkel €2.30 at €72.70.

feature, adding €8.50 at €448

as investors continued to

The FTSE Eurotop 300 Index fell

7.96 or 0.66 per cent to

1,201,29. See Euro Prices page.

warm to the theme that the

group was set to launch a

PARIS ended another slug-

gish day 1.1 per cent worse

off, following the rest of

Europe and a feeble Wall

Street. The CAC-40 retreated

Alcatel led the gainers,

moving €7.60 or 7.5 per cent

ahead to €109.10, as inves-

tors continued to cheer its

planned acquisition of Xylan

floor on a profits warning in

Peugeot slid €2.80 to

€116.30 after posting positive

but lower-than-expected 1998

profits that compared poorly

with Renault's 63 per cent

Bank issues delivered a

rise announced on Monday.

strong performance amid

peers, adding €2.60 to €81.15, while Société Générale put

44.47 to 4.004.16.

big UK leisure takeover.

ag was a rare firm

Siemens gave up €2.14 at

In the UK, motor components leader GKN surprised tomorrow's US non-farm with a return at the top of the range, but elsewhere auto sector. Concern for shrinking operating margins following downbeat trading growth this year is signifireports from Volkswagen and Renault has, for the results statements from core moment, taken over from sector restructuring hopes as

speech but ending little changed in spite of what was broadly seen as a potentially exciting speech by financial

secretary Donald Tsang. The forecast of 0.5 per cent gross domestic product cantly ahead of broker predictions and coming just ahead of next month's land sales - the first since last summer - could suggest that

sure on margins. The shares

gave up SFr9.50 to SFr308.50

Ares Serono added to

Tuesday's 10.8 per cent tum-

ble with another of SFr91 or

4.2 per cent to SFr2,099. The

shares remained under pres-

sure from news that US reg-

ulators had decided not to

clear the group's multiple

CS First Boston cut its 12-

month share price target by

7 per cent to SFr1,950 but

repeated its hold recommen-

MILAN ran out of steam.

as investors kept a wary eye

furt. The real-time Mibtel

index turned back from a

lower at 23,390.

high of 23,812 to finish 356

Olivetti climbed as high as

as 1998 results emerged in

line with expectations.

pected.

"Land prices are the key after the 60 per cent slide since the peaks of late 1997. If next month's sales can hint at a turning point then consumer spending could also be in for a recovery. said Justin Gibbs, Asia strategist at Paribas.

This would be good news for hard-pressed Hong Kong equities and could boost luxury goods-linked stocks like Hong Kong was the main the economy is in better French leader LVMH.

€3.08 with investors said to

be piling out of Telecom Italia, its bid target. But by

per cent stake.

higher at €7.31.

to €40.80.

bandwagon.

would have been jumpy to say the least. However, not only have the markets been stable, but over the past two weeks the index has risen sharply in growing volume

the TA-25, the index for Israel's top 25 companies, rose 1.9 per cent to 327.89. adding to an 8.8 per cent gain since mid-February. The TA-100 has been per-

the close, Olivetti was just 1 forming just as well, rising cent higher at €3, while Telecom was marked 17 cents yesterday nearly 1.6 per cent lower at €9.47, below Olito 316.89, on top of an 8 per vetti's €10 a share bid price. cent rise over the past fort-Banca di Roma nicked un 4 night. Average daily turncents to €1.36 after local over has increased from a paltry Shk100m to well over press reports said that ABN-Shk200m, surging yesterday Amro of the Netherlands was in talks to acquire an 8.7 to Shk315m.

Aeroporti di Roma iumped to a high of €7.59 after a report that the American fast-food giant McDonalds as interested in making a bid for part of the group. By the close ADR was 3 cents They did.

HELSINKI parted way with the bigger European markets, ending 1.1 per cent higher, boosted by a bullish technology sector and healthy cyclical stocks. The Hex index was 64.05 ahead to 6,119.33 as investors banked on an economic rebound. Tieto, which confirmed its merger with Sweden's Enator and said the combined company was considering a

€2.40 or 6.25 per cent higher But interest rates are still Fellow high-tech issues too high, as the Interna-Talentum, up 60 cents to tional Monetary Fund made 13.80, and Novo, €1.90 higher clear in its annual report on to €32.90, jumped on the the Israeli economy which was published vesterday.

Written and edited by Michael Horgan, Bertrand Bencit, Paul

Tel Aviv growth defies upheavals

Tel Aviv Stock **Israel** Exchange has defied the critics. With elections scheduled for May, a stalemate in Israeli-Palestinian peace negotiations and renewed fighting in south Lebanon, one could have assumed the markets

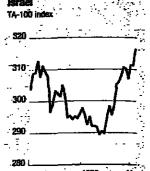
EMERGING MARKET FOCUS

Yesterday, for example,

The improved performance stems from the government's monetary policy. When, for the first time in 30 years, a negative inflation rate of 0.5 per cent was recorded for January, institutional investors immediately assumed interest rates would fall.

Jacob Frenkel, governor of the Bank of Israel and a staunch defender of a tight monetary policy to combat inflation, last month lowered the prime interest rate from 15 per cent to 14.5 per cent. Institutional investors, mostly local, returned to the market, snapping up blue-chip stocks, including Bezeq, the state-controlled European acquisition, ended telecoms company, and the

> Last year, real short-term rates were 7 per cent. The International Monetary Fund said they should



middle of this year, assuming inflation remained under control, while the economy should grow 2.3 per cent this year, rising 3 per cent next year. This can only be good news for the markets. But any easing of monetary policy will depend on a number of issues, some beyond Israel's control.

Another emerging market crash could put further pressure on the shekel. Between August and November, when Russia defaulted on its debt and turnioil hit the markets in Asia, the shekel lost nearly 15 per cent in value. The downward pressure

on the currency accelerated inflation. Interest rates were increased four percentage points. "Another crash would clear be an obstacle to TASE's continuing recovery," said Eli Nahum, analyst at Nassuah Zannex investment house.

Closer to home, the IMF, in contrast to officials in Benjamin Netanyahu's government, believes the economy will be subject to uncertainty because of the run-up to the elections and the difficulties in implementing last year's Wye peace agreement between Israel and the Pales. tinians. Such factors may suffice to dampen just a little the optimism of traders

Judy Demosey

Wall St marks Tax row undermines Dax

time in search for direction

AMERICAS

Wall Street took a breather in early trading with a fresh wave of merger speculation of analysts failing to give direction, writes John Labate in New York.

By early afternoon, the Dow Jones Industrial Averhad edged ahead less than 1 point to 1,226.09. The Nasdaq composite index, weighted in high-tech shares added 1.74

Shares of Jones Apparel tumbled more than 11 per cent or \$31 to \$221 after it announced it had acquired shoemaker Nine West for \$1.4bn. Shares of Nine West

were \$# higher at \$23. In the generally slow trade, deal rumours took root. A report that DuPont, a component of the Dow, was in talks with Monsanto sent the latter's shares up 4.5 per cent to \$46%. DuPont rose

\$\frac{1}{4} to \$51\frac{1}{4}. 3Com, the computer net-12 per cent to \$3% one day after warning the market attractive. that its revenue and earnings would be below expectations. On Wednesday 3Com

per cent or \$515 to \$321 after the company previewed its fiscal fourth-quarter net

trade climbed \$% to \$46%

after earnings per share estimates for both were raised hy CS First Boston.

In the retail sector, Tiffany's rose \$3% or more than 6 and changes to the outlook per cent to \$62% while of analysts failing to give Kmart fell \$% to \$17% after both companies released earings reports.

In the Dow, Walt Disney rose \$% to \$341 after Morgan age was down 8.96 in choppy Stanley Dean Witter cut its trading to 9,288.65, while the earnings per share estimate Standard & Poor's 500 index for the entertainment company but maintained its

Union Carbide was off 4 per cent to \$421 one day after gaining 7.5 per cent on takeover speculation

The Russell 2000 index of small-company shares dipped 1.46 at 392.97. TORONTO started moder-

ately higher but later retreated, with the 300 composite index losing 27.29 or 0.4 per cent to 6.197.90 at midsession, extending Tuesday's 1.2 per cent loss.

Traders said investors were shifting money into the hond market and away from equities. The benchmark 30year bond recovered slightly, working company, tumbled but the yield, at 5.493 per cent, was still considered

Telecom software company Architel Systems, the target of an all-stock bid by fell 11 per cent on the news. Amdocs of the US, was trad-Shares of rival Cisco ing C\$6 or 25.1 per cent Systems were up \$1/4 to \$95%. higher to C\$29.90, still a long September, was still a long way off Amdocs' C\$37.50-ainternet company, surged 36 share offer.

Conglomerate Canadian Pacific was 30 cents higher to C\$26.40, showing one of the best performances in its Among online trading sector, while airline Air Cancompanies, E*Trade was ada, one of the morning's down \$1 to \$46\frac{11}{16} and Ameri- strong stocks, was flat at C\$6.15 at midsession

A combination of political uncertainty and interest rate wobbles sent FRANKFURT steeply lower. The Xetra Dax index ended a thin session off 129.32 at 4.668.52. RWE fell steeply as worries about the group's role at the centre of an escalating and corporate Germany over tax reform undermined sentiment. The shares slipped

Jan 1999

Smart car, lost €3.79 at sentiment

Insurer Aegon eased 95 cents to €93.55 following

Market fragility was fully "market performer" from a

underperformer' Among financials, ABN-Amro came off 30 cents at declined to comment on an Italian report that it was set to take a stake in Banca di

ZURICH was flat after trading in a narrow range with many investors unwill ing to commit themselves to fresh strategies. The SMI renewed M&A talk in the index finished 9.6 higher at sector. CCF outperformed its 6,986.1.

> SAir Group was one of the few shares to see much action after chief executive Philippe Brugisser warned the annual press conference that the group faced a diffi-

per share forecast after cult year ahead with presstrong 1998 results on Mon-

AMSTERDAM moved lower for a third day, slipping a further 6.93 to 519.16 on the AEX index after a number of heavyweight results did little to bolster

results in line with broker forecasts. Brewer Heineken sclerosis drug Rebif for sale. crashed €2.55 or 5.4 per cent to €44.85 after warning about slowing earnings growth this

reflected in Wessanen which came off 45 cents at €11.55 in closing at its low for the day spite of some very positive as investors kept a wary eye treatment from Goldman on developments in Frank-Sachs. The broker lifted its target price for the foods giant to €13.6, increased 1999 earnings estimates by 10 per cent and upgraded it to of the US. But the stock, long-standing "market which plunged through the

on 60 cents to €136.10. despite liquidity squeeze BNP moved €1.35 ahead to €75.85 after Goldman Sachs increased its 1999 earnings

of €215.10.

changed in early trading, confounding suspicions that shares would open steeply mark Bovespa index was off lower after central bank 14 at 9,056 in thin volumes. moves late on Tuesday to tighten money market lower in early trading as

São Paulo holds steady

this week to record lows Volume was said to be against the dollar, the Real minimal. Market heavy-The International Monetary IPC index was off 35.68 at

SAO PAULO was little soon," said one embattled foreign exchange trader.

At midsession, the bench MEXICO CITY also moved sentiment stayed weak after Still groggy after sliding three days of decline.

continued to undermine weight Telmex gave up 25 broad investor confidence, centavos to 27.35 pesos. The

Johannesburg was sharply higher as bullish sentiment in the wake of Tuesday's prime rate cut and derivatives-linked trade lifted the benchmark.

The overall index closed

Golds lead Jo'burg higher

SOUTH AFRICA

above the important 6,000point level, climbing 107.3 or

1.8 per cent to 6,087.5. Golds led the charge with the index rising 2.8 per cent to 915.9 as the rand remained under pressure. Industrials climbed 1.6 per cent to This announcement appears as a matter of record only



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We want you to succeed

Nikkei rises on strong dollar

ASIA PACIFIC

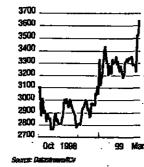
After a three-day run of losses, TOKYO advanced as investors were encouraged by the dollar's rise against the yen and by lower interest rates, writes Michiyo

Buoyant sentiment took the Nikkei 225 average back above the important 14,000 level. The beachmark gained 249.30 to close at 14,170.36, after moving between a high of 14,170.46 and a low of 13,927.73. The broader-based Topix index of all listed shares rose 7.73 to 1,099.81 and the Nikkei-300 index

added 1.55 to 219.44. Gaining issues outnumbered losers 691 to 411 while 195 were unchanged. Volume fell, however, to 395m shares from 457m on Tuesday.

The dollar's strength helped exporters to recover after a recent losses. Sony gained Y380 to Y9,070 while Canon advanced Y55 to Y2,640. Sony was also helped by the announcement on Tuesday that it would launch its new PlayStation video games machine by

March next year. Companies which have announced restructuring attention as investors off workers.



that corporate earnings would deteriorate significantly in the current busi-

Chiyoda, the plant engineering company, attracted attention as expectations were raised after a news report that it would restructure with the help of Kellog, Brown and Root of the US. Chiyoda added Y10 to close at Y280, after surging to

Y301 during the day. Hino Motors, the truck manufacturer, also attracted interest on the back of restructuring hopes, rising Y19 to Y397 on news that it would reduce its workforce measures also attracted by 400, even if it had to lay

Nissan, the troubled car January, rising 139.6 to cents to M\$7.60.

heavy trading after it said it would consolidate vehicle parts purchasing operations

at its two North American BOMBAY closed at a ninemonth high as the market extended its gains since last Saturday's budget to 12.6 per cent. The BSE-30 index put on 116.44 or 3.3 per cent to 3.640.42, still supported by Monday's interest rate cuts. Banking stocks also rallied

on expectations of improved fourth-quarter earnings after the rate cuts, as did stocks in the information technology, pharmaceutical, housing finance and consumer goods sectors.

Scattered profit-booking by domestic financial institutions towards the end of the session took shares off highs, but the undertone was strong, with a good deal of buying by foreign funds also evident. Among index heavy-

rose Rs89 to Rs2,140.75 and ITC added Rs29.20 to TAIPEI pushed ahead strongly in late trading after a wave of buying buoyed a large US broker. financials. The weighted

weights, Hindustan Lever

T\$87.2bn. Financials ended 4.3 per

cent higher as sentiment turned on Tuesday's news of government plans to abolish financial institutions' business tax. Chang Hwa jumped T\$2 to T\$51 and First Commercial T\$3 to T\$56,50. MANILA rose 2 per cent or

38.54 to 2,008.92 on the composite index after the latest Treasury bill auction applied downside pressure to interest rates. Property shares were in demand and by the close of an active session that saw

total turnover surge to 1.4bn pesos the property index was up 2.2 per cent. However bad loan concerns continued to dog PNB, down 4.50 pesos or 7.4 per cent at 56 pesos. KUALA LUMPUR extended its retreat by 2.4 per cent as investors expected a string of weak company

The composite index lost 12.80 to 513.23. Political uncertainty ahead of regional election also took their toll while traders blamed part of the fall to programme selling by

results in the coming weeks

Market heavyweight Teleindex broke above 6,400 for kom Malaysia, which reports the first time since mid- 1998 results today, shed 25



FINANCIAL TIMES SURVEY THURSDAY FEBRUARY 4 1999

Annual country review

Firing up the dragon

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As the principality prepares to re-embrace a long-lost selfdetermination, Juliette Jowit raises the question of timing as industries go global, is this the right juncture to regionalise?

This summer the first Welsh ing from net job creation or national assembly for more people moving to new jobs. than 500 years will be opened by the Queen. Later in the autumn, the country will host the Rugby World Cup final, expected to be watched by up to 3bn

These events, following be characterised certainly as last year's European heads of state summit and the visit of Nelson Mandela, have been heralded as the dawn of a new era for a more confident, modern Wales.

Gone are the grimy old coal pit and slag heap images of Wales, and memoarcades on windswept piers, say the New Wales evange-

Now step aside for the Bay regeneration scheme, the self-determination of the Welsh assembly and, most importantly of all, a more dynamic, growth economy.

Recent figures showed the Welsh economy is expected to outstrip the UK average over the next decade, with

David Rowe-Beddoe, chairman of the newly enlarged Welsh Development Agency. says there has been a transformation to light engineering and service industries. I think the economy can

an increasingly modern and diversified one and it's got clear strengths in a number of significant industrial structures: automotive, electronics, IT, aerospace, optoelectronics and telecommunications.

"I think the other thing ries of tired amusement that's very clear in the the local economy in times Welsh economy is it has a highly skilled, adaptable and motivated workforce. That will be a key in the developfresh wave of chart-topping ment of indigenous business Welsh bands, the opening of as it has been in the success the first AA/RAC five star we have had in the last two hotel in the £2.4bn Cardiff to three decades in attracting inward investment."

There are, however, remaining problems, many of them structural hangovers from the sometimes troubled transition from the days when Wales was hugely dependent on coal, which is now almost non-existent, 150,000 vacancies a year aris- and steel. which although



still productive employs only

a fraction of the workforce. Increasingly over the last 20 years, much of the economic growth in new areas has been kick-started and driven forward using government and European grants. through the WDA and Welsh

Indigenous business grants and other support are widely welcomed and seen as enjoying above average success rates, but some criticise the widespread use of grants for foreign investors.

They fear such companies lack a strong commitment to of trouble, a problem accentuated because 30 per cent of the manufacturing workforce in Wales is employed by overseas companies. The most recent example

of this is the closure of the Lucas SEI car components factory near Swansea in South Wales, with the loss of 750 jobs in an already high unemployment area. "It's another example of

the general footlooseness involved in foreign ownership in any regional economy," says Dennis Thomas. an economist at the Univer- way.

sity of Wales Aberystwyth. "It emphasises the suscep-

tibility of regional economics now to the globalisation of everything. Decisions are taken hundreds of miles away from a region, yet they can have dramatic consequences for the economy." A second issue is the

sometimes massive disparity between different regions in Wales, particularly between the eastern M4 and A55 corridors where investment has

The success of the Welsh National Assembly will "stand or fall" on the basis of the economy's success

concentrated, and the western regions and south Wales valleys, where gross domestic product per head of the population is up to 40 per

There is also a geographic division between north and south, with drivers forced to spend three to five hours travelling over the mountains or across the border and via the busy M5 motor-

combined development.

This has led most compa-

over the border to the

north-west of England cities

of Manchester, Liverpool and

Chester rather than Cardiff.

divided and weakened pro-

investment finance for local

of David McLean, the biggest

fessional services sector.

in Flint in the north. "There are only two brokers in Manchester and none in north Wales, and southern brokers don't want to come up [from London]," says Mr Thompson. who with others in the region has set up a special taskforce to tackle the issue in the north-west as a whole.

"It's a big problem...we nies in north Wales to look are trying to encourage wave of job losses, but frontline staff in regional offices funds to invest and also to attract companies and skills were increased by 20 per cent, and other indigenous that can handle that sort of

The overall result is a Mr Rowe-Beddoe defends the record of overseas investors: an unscientific record One of the most damaging kept by the agency shows knock-on effects is a lack of the number of new jobs created in recent years is still companies to grow, says Jim more than jobs lost through more high-profile closures. Thompson, chief executive

The WDA has pledged more support for indigenous businesses, but inward investment continues to be very important to the country, says Mr Rowe-Beddoe, who believes the two are interdependent, not conflicting needs.

The balance is something I believe in and we know housebuilding and contractthat in encouraging inward ing company in Wales, based investors to become firmly embedded in Wales we do it by satisfying needs for competitive supply and services," he adds.

Other changes are also being made by the WDA. which last year merged with the Development Board for Rural Wales, its mid-Wales equivalent, and the Land Authority for Wales.

of the economy's success The restructuring led to a

The Welsh Development Agency is diplomatically positive about the change of command, although privately some fear the transition from three ministers at the Welsh Office could make decision-making more com-plex and muddled by individual members' local inter-

An enlarged agency also Mr Rowe-Beddoe focuses makes it easier to try and iron out regional disparity instead on the potential benand tackle other all-Wales efits of self-government. "The assembly will add to problems by taking a more [our] task of raising the prostrategic overview, says the file of Wales [to attract "I see that body achieving investment]."

support projects such as

Xenos, the business angels

network, and the Regional

scheme, have been stepped

forums and trade unions.

etcetera, to ensure we have a

strategic objectives."

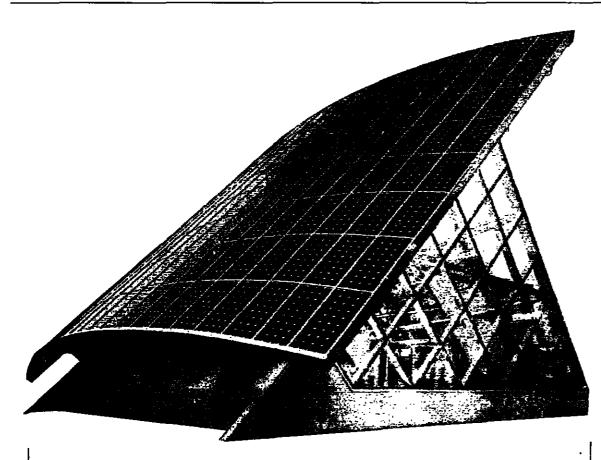
Transfer

Technology

Indivídual businesses, this more even spread of economic activity through three many of which have been very important things: an ambivalent or wary about increased focus on local the assembly, are also now responding to the inevitable delivery of services ... being more strategic ... and workchange. ing in partnership with local authorities, the private sec-

Few believe it will make a big difference in the short tor, regional economic term, but they hope in the long run it will give Wales a much stronger voice in the UK and Europe in particular.

consensus for achieving the "I think Wales can fight In this context, the 60 for itself better at Westminmembers of the Welsh ster and in attracting future assembly will be elected on funds from Europe. There's May 6. The government more passion so they'll be admits their success will able to argue better," says "stand or fall" on the basis Jim Thompson.



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New road lifts curtain on promising performance

The A55 will put previously isolated parts of the principality in touch with a thriving Irish economy to the west and England and the rest of Europe to the east

It is ironic. North Wales far more a bulwark of Welshness and the Welsh language than the south of the country - has a tradition of spilling over the border into Cheshire and Merseyside even more readily than south Wales interacts with the south-west of England. North-east Wales has long been plugged into the mainframe of the British economy as a result.

The north-west, though, traditionally one of the raw materials bases of the principality, has historically been ather isolated. And the area has struggled to attract the volume of modern manufacturing and public services investment that the initiative road-building north-east has achieved. Today, there are fresh hopes that the east-west divide can be breached and that the regeneration of north-west Wales can be fostered in ear-

The 1997-98 annual report of the Welsh Development ditional inward investment Agency reveals that 2,159 hot spots of Wrexham and iobs were created and safeguarded in north-east Wales. against 1.324 in the north-west - not a bad ratio. influence of a revitalised given the population spread

ECONOMY by Christopher Adams

been allocated to big projects in the eastern corner of Wales than to those west of

the River Clwyd. The backbone of the strategy to remedy such apparent nications so much that work neglect will be a new section of A55 dual carriageway on Anglesey, connecting the port of Holyhead in Wales's north-west corner to LlanfairPG, which now qualifies for a second entry in the record books: not only is its full name (Llanfairpwllgwyngyllgogerychwyrndrobwilllantysiliogogogoch) the longest in the world, but now it is also a hub for Wales's first private finance

The road will complete the link from Holyhead and Ireland to the UK motorway network. It will also help to encourage money from across the English border to go further west than the traits surrounding area.

Optimists say projects such as the A55, and the Irish economy across the water, are forming a twopronged assault on the The fact remains, though. north-west's record of dual carriageway and main-

favoured the east: more than of an axis from Dublin to the planned opening in early 10 times more money has Ruhr," says Chris Farrow. Wales at the WDA.

tion portion of the deal will cost £100m, which will be Some of the locals might financed through a mix of see it slightly differently. long-term debt and equity. UK Highways will then The road improves commureceive an operating income that was once part of the from the government based on the volume of traffic that community is now exported uses the road. to Chester. Critics also sug-



estors in people: Alun Michael, right, the man chosen to lead Labour in the National Assembly, and Peter Hain, his campaign manager, stress the Welsh Office drive for investment and jobs. PA

gest that the bulk of Irish loads will be through-traffic to England, bringing little but noise and pollution to

boost. Most passenger services are now operated by Virgin Trains, which has vet north Wales. Construction of the A55 is to rectify all the problems on due to start next month. The the routes. One recent north contracted consortium, UK Wales investment project that of Tokai Rika, the Japa-Highways - which brings together Tarmac, Laing and nese car components maker, consultants Hyder - will which is setting up a £6.3m build the 32km stretch of plant on the St Asaph Business Park in Denbighshire that investment has sharply retarded growth. "We're part tain it for 30 years from its

journey the company's management made from London. Richard Branson has since made a personal pledge to introduce high-speed tilting diesel trains on to the north Wales route.

ardised by the chaotic rail

Alongside such hiccups, there have been two notable items of had news for the

Wales and the world.

up to 100 for a development

by Glendale Leisure in Pres-

Toyota car egine plant expension (Jan 1998)

Carlsberg-Tetley's closure of its Wrexham plant will now go ahead at the end of this year – three months later than originally planned, so that the group can use Wrexham as an overflow brewery for any surge in demand due to millennium celebrations. When the brewery does finally shut, the locally popular Wrexham brand of beer is also expected to die.

And there has been similar upset in Prestatyn, where Kwik Save, the supermarket chain, will close its headquarters next month. Around 700 jobs are going, as control is transferred to the Bristol head office of the company's new owner,

Somerfield. The overall picture for North Walian inward investment nevertheless looks bright. Second only to the A55 artery in terms of financial commitment over the past year was the £45m pledge last summer by Toprack Ceramics, of Tur key, to set up a manufacturing plant at Deeside Industrial Park. And in January of this year, an injection of £17.8m by Cartoinvest, the Italian paper group, at Oakenholt, was announced following its acquisition of

North Wales Tissue. Among several other multimillion pound deals, one in particular stands out:

tatyn, helping to offset the by Cross Vetpharm of Dub-Kwik Save job losses. lin in the Bimeda veterinary Prestatyn is also one of a pharmaceuticals depot at handful of north Wales Llangefni, on Anglesey. The investment sounds a note of

towns to have won regeneration funding from Europe. confidence that Irish money Colwyn Bay, Flint, Holywell, is not shy of coming to an area that has suffered a Llanrwst, Shotton and Connah's Key were similarly egree of infrastructure isoslated for inclusion in the lation, but which through programme, dubbed Adapt, the A55 development is now which retrains workers in integrated with the rest of blighted areas.

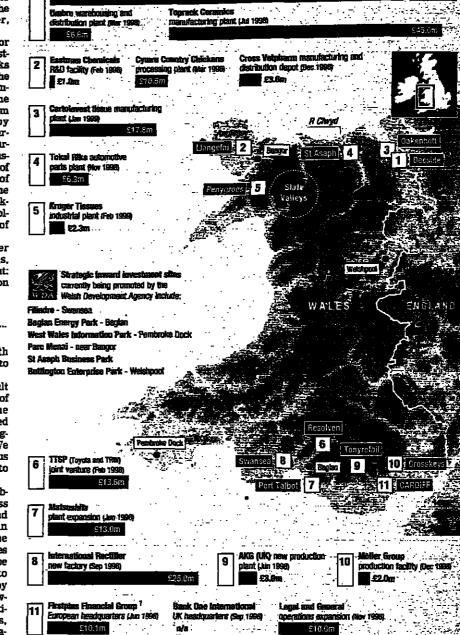
In addition, the Welsh There are numerous Office has allocated a porsmaller projects in the pipetion of its £31m Capital Challine. The local Daily Post lenge fund to community newspaper regularly leads development programmes in with stories of hundreds of new jobs being created - a potential 200 by the WDA north Wales: £3.3m will go to the the obsolete slate valleys of Gwynedd; and the Wrexand Sandringham Investham area will get a multiments, the pension fund, at a million pound package too. call centre in St Asaph; 280 in Rhyl for a new food plant;

Mr Farrow at the WDA is proud of Clwyd's prosperity unemployment, he says, is title of Britain's best theatre.

as low as 3.5 per cent and GDP is higher than that of Cardiff But he is not frightened of admitting weakness and welcomes recognition that other areas of north Wales - Gwynedd, Denbiehshire, Conwy and Anglescy - are to be deemed in nee of European Commission Objective 1 funding status confirmation is expected by the end of March.

The improving fortunes of north Wales are often down to hard-headed business development. But the area's soul is alive and well too. and symbolised by its acclaimed Mold-based Theatr Clwyd. Dogged last year by controversial grants and an accounts deficit of £700,000, it still won the Barclays Theatre Awards to take the

Leading investment projects in Wales, Jan 1998 - Feb 1999





CASE STUDY

Private capital injects buoyancy

Efforts to involve wealthy entrepreneurs with Welsi business start-ups are beginning to pay off. A company that manufactures narrow boats is the latest of several ventures to have received a powerful injection

of capital from this source. Fibreline started with an idea. Jeremy Mead, a long-standing vachting enthusiast, was suffering health problems. Handling boats was becoming difficult and he needed something easier to steer. His idea was to build a canal boat that was both lighter than traditional steel models and more manoeuvrable.

There are problems The steering is heavy, they hit locks and other boats, savs Jeff Richley, Fibreline's managing director. Mead designed a craft

that looked like a traditional narrow boat, but behaved differently. Made of glass-reinforced plastic (GRP), a material used for building yachts, it was half the weight of steel boats and therefore easier to steer Mead had a concept, but no money, and a prototype

hoat would be both expensive and time-consuming to build. He sought help from a business friend, Vic Parkin, who agreed to inject an initial £120,000. Mead then began constructing a mould.

"Ambition" was the first of its kind. Launched in August 1997, it was put on to the Monmouth and Brecon canal for testing. "The industry thought the boat would be impossible to build. It's hard to keep the stiffness in a craft that's over 45 feet

With backing from Lloyds TSB and Blaenau Gwent County Borough Council, two pre-production boats followed for more trials with

prospective buvers. The boats proved both manoeuvrable and strong. But, by now, Parkin's money was running out and the two men needed another backer In June 1998, Parkin asked Richley, who had just sold shares in the company where he was finance director, to provide a fresh

capital injection. Richley sank £80,000 into the project and became managing director. "I saw the selling point: the boat's handling. But I knew we needed to create a business They were in an amateurish mode. We developed a business plan and targeted

growth sector."

The fastest-growing area of the canal leisure market was for boats costing about £30,000. Fibreline would target older people coming from yachting or cruising and seeking a canal boat that required less physical strength to handle. But production and marketing would require further investment and even more capital was needed.

A timely injection of £75,000 from David Bibby, : Bridgend-based businessman who had no previous contact with any of the three men, was therefore an enormous boost. The

company secured his assistance through Xenos the Welsh "business angels" network. It learned of Xenos through the bank. Fibreline is the fifth company to have benefited

from Xenos's assistance. Xenos's purpose is to the kind Mead had been seeking since he first thought of the GRP craft. The network was launched by the Welsh Development Agency, the Welsh Office and the Confederation of

British Industry. To date, some 65 business angels have been recruited by Xenos. Between them, they comprise about £20m in potential investmen n Wales. The deals done so far are worth £500,000. More than 100 companies from a fish farm in Anglesey to a children's day nursery north Wales - are seeking equity investment to finance

arowth. Ray Hurcombe, manager of Xenos, says such investors should help meet a need for specialised small

business investment. Fibreline plans to build 20 boats within the next two to three years, after which the original backers should

begin earning a return. There are still barriers to overcome. The biggest are perceptions of the GRP craft's strength and users' sense of tradition. However, Richley believes enthuslast who previously would only have contemplated a steel boat will make the switch. The most recent steel designs, where plates are welded together rather than riveted, have only been in production for about 20

He argues that GRP is in fact stronger than steel. Fibreline's boats bend on mpact, whereas steel plates spring apart at the welds. Eager to prove its claim, the company is to carry out a collision test, to be adjudicated by an industry magazine. "Our job now is to convince the public," says

Christopher Adams

Heavyweight of old fights to get in trim As new investment fights to plug the gaps left by traditional

industry, the principality is finding its rejuvenating shift towards export-based light industry is creating its own problems

by billions of pounds of at Milford Haven and cutinward investment is provid- backs in the defence indusflagging Welsh economy, employers, But the principality still

New prosperity in the starting to spread to other but slowly. Unemployment grew up around the once mighty coal industry, remains high by national standards. Early retirement and long-term sickness rates also exceed the UK average. Towns further west in Pembrokeshire are having to cope with the planned clo-

In the north, the high cent of that for the UK. finds itself lacking in high- employment levels once genhave never been replaced. south-east of Wales is Rural parts of Wales are among the poorest areas in parts of the principality - Britain. Heavily reliant on agriculture, these blackspots in the valleys north of Car- have been hit hard by the diff. where communities BSE crisis. Wage levels and GDP are 20 per cent below the UK average and the population is ageing as young people seek employment elsewhere.

The statistics tell a depressing story. Welsh output per head is 83 per cent of the UK average. Some 5.4

An economic revival spurred sure of the Gulf oil refinery per cent of the workforce are unemployed..compared with 4.5 per cent for the UK as a ing a welcome boost to the try, both big regional whole. Household income and employment were greatest demand over the per head is £9,300, or 87 per

> "High levels of inactivity being lost. There just aren't enough people contributing to output," says Stephen Hill, chief economic adviser to the Welsh Development

The principality's economic problems are deeply embedded. Throughout the 1970s, the economy was characterised by a dependence on heavy and extractive industries, with the production of coal, iron and steel employing some 120,000. But the subsequent decline of these sectors devastated the economy, bringing enormous iob losses. By 1991, they employed fewer than 20,000.

Since then. Wales has been trying to re-invent itself. Its greatest success has been in ment to the manufacturing sector. Foreign companies have been attracted by relatively low wage costs and combined to push manufacturing productivity 12.9 per cent above that of the UK average. Many have established manufacturing bases for export to Europe, revitalising Wales's industrial heartland. Within the past year alone, US and Japanese manufacturers including Toyota, Matsushita, Tokai Rika and International Rectifier have all set up factories or expanded existing plant.

has benefited from £11.8bn of inward investment, much of it directed at the automotive and electronics industries. The manufacturing sector accounts for 28 per cent of gross domestic product, compared with 21 per cent for the UK as a whole.

However, the concentra- nomic revival on the south tion on export-led manufacturing has created its own

Weak rail links to the

region could also do with a

problems. A downturn in the global recent rise in the level of sterling, has hurt most UKbased exporters and the Welsh economy is especially vulnerable. The Confederation of British Industry in its latest survey of Welsh manufacturing, published last month, said confidence, output, investment intentions secretarial staff will be in declining sharply. More than next 10 years in Wales. Sales a quarter of employers are and engineering will also be shedding jobs, the highest growth areas, according to

Many companies, including high-profile inward investors, have been forced to cut production. LucasVarity and Japan's Sumitomo announced the closure of their jointly owned car electrics factory near Swansea in January, with the loss of 750 jobs. The financial crisis in Asia is also threatening to halt foreign investment flow.

Brian Willott, chief executive of the WDA, says the focus on manufacturing has left Wales without a strong high value added service sector. Tourism and public administration, where productivity and wages are relatively low, dominate services output, while business and financial services are underattracting inward invest- developed. "We obviously want to build on the sectors where we have a strength, but we cannot be monolithic.

The balance must shift flexible workforce that have towards services. That's where the growth is." One area where Wales is gaining ground in services is the call centre industry. In November, Legal & General, the insurer, announced plans to expand its operation in Cardiff, creating 1,000 jobs. Admiral Insurance also has a call centre and USbased Bank One decided last year to base its international headquarters in Cardiff, taking a vacant site in the city's

new bay development. But simply promoting the growth of services will not be enough on its own to lift growth and employment in west Wales and rural areas. Professor Kevin Morgan of Cardiff Business School argues that cultural barriers must be overcome if the eco-

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coast is to ripple through to the valleys and the west. The single most difficult issue is a chronic deficit of

economy, combined with a entrepreneurialism," he says. "Business is frowned on because of the social legacy of the coal mines. We have almost no indigenous business class on which to build." According to a report published last week, business

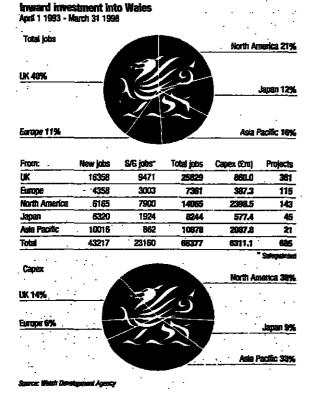
fies acute skills shortages, with nearly a third of compa nies encountering difficulties in finding the right staff.

Improvements in infrastructure will also be essen tial. While new roads such as the A55 in north Wales have vastly enhanced transport links, more accessible and affordable public transport is needed to encourage those in the valleys and villages to commute to jobs in the cities and large towns

Mr Hill says new initia-

tives are needed to help companies set up. Self-employment, which is much lower than in other parts of the should be encouraged to start their own businesses. Small Welsh-formed companies that do not export, and fewer than 5 per cent do. should be more aware of the opportunities in overseas markets. Big inward investors could be better integrated with local supply chains. More companies could work with the universities to exploit research and development capacity. "If all manufacturing does is import components and export goods, you're not maximising the benefits.

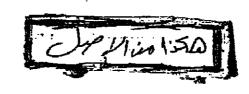
The principality is lobbying hard in Brussels for areas of north and west Wales to be granted Objective 1. a favoured status to qualify for additional Euro-If this is forthcoming, the task then for policymakers will be how to shift resources to the areas that



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Agriculture	1.8	1.8
Energy and utilities	3.7	2.9
Manufacturing	28.5	21.7
Construction	· 5.5	5.5
Distribution, hotels and catering	129	14.8
Transport/storage and communication	6.2	8.5
Financial and business services	17.4	26.1
Public administration and defence	7.5	6.1
Education/social work/health	15.5	12.9
Other services	3.5	3.9
Adjustment	-2.6	-4.2
Total	199	100



Links with business can be educative

Despite a quiet research reputation, Wales's universities boast a great deal of niche expertise and are forging ties with the commercial world at an exemplary rate

Welsh universities are not College of Wales, Aberys- working on the design of a water treatment, air pollutheir academic research: that, at least, is the view that can be drawn from statistics compiled by the universities' funding councils and the Higher Education Statistics Agency.

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In the latest UK-wide research assessment exercise, the funding councils listed 43 universities with academic staff ranked in the highest 5* category. Wales had just two: Cardiff and Swansea. This compares with England's 34, Scotland's seven, and Northern Ireland's two.

In the latest nationally available figures for income from research grants and contracts, published by HESA, Wales's 14 higher education institutions amassed £51.03m in 1996-1997 less than the individual totals amassed by five universities in England and Scotland.

University of Wales, Cardiff, received the highest amount: £15.92m. This was more than twice any other Welsh institution except the University of Wales College of Medicine, yet left it trailing behind 24 English universities, five Scottish universities and one Northern Irish university.

present a grim picture of

But they tend to paint over the fact that the five main constituent colleges of the University of Wales, together with eight other institutions, boast a wealth of expertise in niche academic markets.

After London University, the University of Wales is the largest in the UK and, with the other institutions. has over 90,000 full-time stu-

University of Wales, Bangor, claims to have the largest university-based marine institute, while University one of the most prestigious international politics departments in the UK

puncher in Welsh research, and under the stewardship of Brian Smith, a former master of St Catherine's College in Oxford, it is set to rise quickly up the research

league tables. in 1997-1998, the year after the latest available UK-wide figures collected by HESA. Cardiff saw its income from research grants and contracts exceed £26m.

Of this, £8.1m came from the research councils, £5.3m from government depart-

renowned internationally for twyth, has the largest and new camera for the Hubble Space Telescope.

It also has seven research centres which have been des-Cardiff is the biggest ignated "centres of expertise" by a panel of academics, industrialists and members of the Welsh Development Agency.

These centres - designed to boost the transfer of technology from the ivory towers of the university campus to the real world inhabited by companies mindful of the bottom line - include Cardiff's Japanese Studies Centre, which has flourished as Japanese companies have moved into Wales.

The University of Wales College of Medicine has an Institute of Medical Genetics which forms a big part of the worldwide Human Genome Project

ments, £1.8m from charities, £1.1m from overseas investment, and the rest - £6.1m from industry and com-

This last figure is significant. It represents a 92 per cent increase over the previous year's income from Put together, the figures industry and commerce and, as a result, illustrates the growing links between Welsh higher education and the commercial world. Cardiff has many links:

the school of bioscience has won commercial funding for the study of petal wilting, amid concern that fast-perishing cut flowers could damage an industry worth more than £100m a year in the UK; the law department has attracted sponsorship for professorial chairs from Lloyd's Law Reports and Hammonds Suddards; while the department of physics and astronomy has ties with Nasa, including a professor

tise are not exclusively focused on the capital. Across the principality. there are 35, and while the University of Wales boasts the most - Aberystwyth has four, Bangor has seven, Swansea has five, and these three share the Institute of Non-Newtonian Fluid Mechanics - there are several other institutions that host a centre.

Glamorgan University may not have scored a toprated 5* - or even a 5 or 4 in the research assessment exercise, yet it runs an Environmental Technology and Management Centre which has an industrial client list of over 100 companies, including British Airways, British Steel, L'Oreal, the Royal Air Force and Yorkshire Water.

Over the last three years. it has won contracts and grants worth over £2.6m, carrying out work on waste

tion control, noise and vibration research, and industrial combustion systems.

North East Wales Institute of Higher Education in Wrexham, another poor performer in the research assessment exercise, has a successful Centre for Water Soluble Polymers, and has an industrial client list which includes Unilever and Courthaulds, as well as

Clwvd Refactory Fibres.

The University of Wales College of Medicine, a highly tute of Medical Genetics which forms a big part of the worldwide Human Genome Project - which is mapping the genes that make up the human body - and has carried out work for SmithKline Beecham, as well as medical charities.

Together, the centres aim to raise the industrial profile of Welsh research. As the Welsh Development Agency says, the expertise in Welsh universities is "of direct relevance to industry and commerce, but there has been a relatively low level of awareness of this relevance".

For the future, the WDA is planning to back a series of "spin-out" companies, offering academics and entrepreneurs interest-free loans of up to £25,000 as well as "incubation facilities" in higher education institu-

It wants to see more companies like Agrisense, a Treforest-based firm set up to technology developed at Car-

Founded in 1984, Agrisense now employs 70 people, and exports 95 per cent of its products, which have achieved sales of more than If the programme works, it

could create a cluster of similar hi-tech Welsh companies and help retain more graduates in the principality.



INTERVIEW JOHN ELFED JONES

A man of great standing

The diminutive former Welsh Water chief is a giant in managerial and political terms

John Elfed Jones can't understand why he's been asked to do an interview. I'm retired now, he points out. Retired from his post as chairman and chief executive of Welsh Water maybe, but Mr Elfed Jones is still one of the most active and respected public figures in

This giant reputation opens the door to his country house near Bridgend and reveals himself to be incredibly short - shorter than his 13-year-old granddaughter. "Lloyd George said Welsh-

men are measured from the neck up," he chuckles. John Elfed Jones served in the RAF, worked in electricity supply, set up an aluminium smelting plant in North Wales, was seconded

as industrial director to the Welsh Office by the Conser vative government from 1979-82 and, as chairman and chief executive of Welsh Water, turned around the ailing authority and oversaw privatisation. Then last year he was

appointed chairman of the National Assembly Advisory Group, responsible for working out how the planned embly could operate. Why him? He is "very

much" in favour of the assembly, but "wholly apolitical". he says. Also, "I like to think people believe ('m a exploit innovative biological possibly good chairman," he adds, now slightly embar-His CV suggests that oth-

ers agree: it lists posts as chairman of HTV Wales, deputy chairman of HTV group, the first chairman of the Welsh Language Board, and a host of universities, and environment and youth

While many business fig-I ures in Wales have been



Chairing the National Assembly: Mr Effed Jones has headed the As

cautious about devolution, Mr Elfed Jones, now 65, is a devoted supporter.

He is horrified by how little time is dedicated in Parliament to Welsh affairs - one half-day a month - and by how "undernocratic" the Westminster party whip system is.

Sixty assembly members rather than three appointed MPs, often from England will have the time and understanding to solve local problems more effectively, he hopes.

"The decisions of the assembly will properly reflect the aspirations and desires of the people of Wales, rather than the interpretations of three very able ministers and a handful of senior civil servants."

To help the assembly, the chairman and board of the advisory group tried to set it up to be as "effective" and 'inclusive" as possible.

One important decision was to have a round chamber, designed to encourage debate, rather than the slanging matches in the House of Commons, he

"A divided chamber soends an inordinate amount of time scoring what are often petty political points off one another, instead of actually detting

down to the discussion of ensuring that the needs of a country are dealt with in an efficient democratic man-

Another factor in his appointment might have been his business credentials. He is now chairman of card and giftwrap company International Greetings, last year voted best company on the Alternative Investment Market (Aim).

As the government worked hard to reassure the private sector, this was an important factor. The advisory group recommended business be given a say in policy making from an early stage.

The assembly can now help companies in other ways, says Mr Elfed Jones One notable feature of the Welsh economy is there are so few large indigenous companies, with the exception of a few, such as Hyder

the multi-utility, and iceland,

the frozen food stores.

The problem is a lack of entrepreneurship, savs Mr Elfed Jones. "We need to transform the ethos of business understanding through further and higher education, so young people say 'I can be the next Branson'," he suggests.

More broadly, the private sector should reap the bene fits of a new "positive

nationhood" fostered by the assembly, he says. "Because we have harnessed this feeling of nation-

hood, assembly members will move heaven and earth to make sure industry and commerce in Wales are not disadvantaged." As chairman of the

National Eisteddfod, the annual celebration of Welsh culture, Mr Elfed Jones and his wife Sheila last year donated the traditional bardic chair.

Nobody was deemed worthy of the honour, so it will instead be the official seat of the First Secretary of the assembly. The polished cak s carved into a simple high backed design with a carved bridge arching at the top.

The bridge once brooked the river in Bridgend, but Is also a poignant symbol of his hopes for the assembly. "He who wants to lead must be a bridge . . . It's particularly apposite for the eader of the assembly - if he wants to be leader, he

between the people and the government. Such ideals are laudable and appealing, but are they realistic? "The structure is there to allow that to hap-

must also be the nexus

Juliette Jowit



PROFILE KEITH BROOKS, CEO OF TBI

Welsh companies, with the main exception being Hyder, the utility group. While

Scottish companies swell

the ranks of the London

representation, few from

ones that have have not always done well - or have

sector weighed down by

television company so

industry in Wales, was

Mr Brooks says businesses in Wales have

and then sold off.

not had enough good

examples to follow - the

main pattern has been for

sees to be built up

overcapacity and tumbling prices. HTV, the independent

Important to the multimedia

bought by United News &

ASW, the Cardiff steelmaker, has suffered in a

sold out.

Stock Exchange and most

big cities in England have a

Wates have listed. And the

Rare example of bold commitment

The group that bought Cardiff airport has a thing or two to say about growth

Keith Brooks is a rarity: a Welshman leading a Welsh publicly listed company with international aspirations and one that does not plan

to sell out. Mr Brooks is the 50-year-old chief executive of TBI, the airports and property group which started in Cardiff - and still has substantial interests in the

Launched as a pure property group, TBI has grown with the acquisition of airports in Cardiff, Belfast, Florida and, most recently, Sweden. Mr Brooks's strategy has pushed turnover from £17.7m in 1995 to £126.9m last year and pre-tax profits from £4.1m to £24.1m.

The group stumbled into airports almost by accident. It was looking for a highly cash generative business to complement the property portfolio - and then John Redwood, then secretary of state for Wales, pushed through the privatisation of

Cardiff Wales Airport. Mr Brooks says he looked at the operation and was surprised by what he saw. "All our research showed that airports were a much more straightforward business than I had

thought," he says. The group was the dark horse in the race - up against established transport groups such as Stagecoach and National Express. But it "played the Welsh card for all it was worth" and won

the business. The business was turned around - and Mr Brooks turned his sights on other airports as the process of privatisation was stepped up around the world. Now airports are the main part of the business and the group has moved from the property sector to a transport listing.

But TBI is almost alone among successful listed



What Wales needs to take it forward is a greater sense of collective confidence and ambition - the confidence to

While he is proud of his Weish roots, he is clearly disappointed at what he regards as a lack of confidence among fellow business people and a fear of taking on the wider world

My frustration with Wales is that we don't think big enough," he says. "We lack confidence as a nation in business terms. There are just as many good businessmen in Wales as there are in other parts of the UK - but people are selling out."

Wales, he says has an employee culture and lacks entrepreneurial spirit. "When people have formed businesses which have become successful, then are offered millions of pounds to sell, they take the money and run. What Wales needs is those people to go to the

next stage. Mr Brooks hopes that TBI is showing there is another path for Welsh companies to tread. "There are good opportunities out there.

equally around the other areas of the business. His family and friends are

tap the capital markets. "A company like TBI is one example of a Welsh corporate that understands the City, has gone to the

A further hope for building confidence is devolution. While he was against the government's plans - he does not believe Wales should have devolved government while it is so economically dependent on the rest of the UK - Mr Brooks hopes that a greater sense of national identity could emerge from the process now it has been

agreed. The supports are all there. Mr Brooks says Wales has strength and depth in professional services - with good bankers, lawyers and

TBI has both a London and a Cardiff base, with its information technology and accountancy functions based in the Weish capital. Mr Brooks still has his home in Cardiff - though he only spends on average four or

five working days a month in the city, with the rest divided

in Wales - and he is particularly proud of one of TBI's latest property developments, the five star Hilton Hotel due to be completed in the civic centre area of Cardiff this summer. It will be only Wales's second five star hotel, joining the one built by Rocco Forte in Cardiff Bay.

An accountant by training, Mr Brooks says he took some persuading to give up his "job for life" - being an equity partner with Price Waterhouse in Cardiff - to move to head TBI, a business set up by two of his clients.

But he has never looked back, and enjoys the fact that his job takes him out of Wales and allows him to thrive in the world of international business. "I don't miss Wales – the Welsh are very good at building people up and then trying to knock them down a bit."

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Waterfront reborn

As construction of the bay's barrage approaches completion, investment keeps pouring into the area and the Welsh capital adds a finishing touch to its bid to be a world-class maritime city

There were many who said it the corporation is confident be its most successful fish could not be done. But by the summer Cardiff Bay Barrage is due to be finished and the centrepiece of Europe's largest regeneration project will be in

It has taken five years and £200m to build the 1.1km barrage across the estuary at the mouth of the rivers Taff and Ely, bigger than any dam in Europe except the massive flood defences in the Netherlands.

Behind it a 200-hectare freshwater lake will be created - a visually stunning centrepiece for boating. windsurfing, canoeing and

Independent economic studies show it could be attractions and retailers. worth many millions more in private sector investment and job creation in the 1,100hectare bay regeneration

To build this massive structure. stretching from Cardiff docks in the east to Penarth in the west, contractors Balfour Beatty and Costain have used 120,000 cubic metres of concrete, 3m tonnes of sand and 1m

tonnes of rock. Constructing the barrage in an area with some of the highest tidal ranges in Europe - 14.5m, or 45ft involved building a false "coffer" dam to create a dry working area.

To keep costs down, many materials for the final structure were used for the intermediate one. The bill was an extra £6m, but that was still the most efficient option. says David Crompton, director of engineering for Cardiff Bay Development Corporation, which is in charge of the whole £2.4bn regeneration project.

Building costs total £110m. but the total project rises to £196m including water treatment works and other expenses incurred in creating a lake the size of 400 football pitches.

Construction is about nine months behind schedule, but it will be ready by June of and chip shop in Britain,

the lake with freshwater is science centre are already expected because of problems with dredging work. but the whole project is expected to be finished by the end of the year.

The corporation is not worried about the relatively short delay and has promised the scheme, already £5m over budget, will not incur any more costs.

In the long term the postponement makes little difference to the importance of the freshwater boating lake, which is a valuable selling point to businesses, housebuilders, leisure and tourist In terms of image, the



water area, which has a 12km foreshore, is an important focus of the corporation's mission statement: "To put Cardiff on the international map as a superlative maritime city which will stand comparison with any such city in the world."

Total private sector investment in the bay to date is £850m. with 11,000 jobs cre-

include Sir Rocco Forte's £17m St David's Hotel, Wales's only five star establishment, the £25m Mermaid Quay shopping and leisure Wharf leisure village and the £15m NCM Credit Insurance European beadquarters

Also planned are a 2.000seat Millennium Centre arts venue, and a £17m National Assembly building.

A further delay in filling including the Techniquest

drawing 1.5m visitors a year. where it is directly influenced by the creation of the barrage and the new freshwater lake," says the corpo-

"Arguably all bay investment is influenced by the barrage as the hasic catalyst of regeneration.

For the future there are many more developments under way and being dis-Of 6,000 planned new

and 114,000 sq m of the 370,000 sq m of planned new office space is finished. Work continues on the remainder. Eventually the corporation expects to have created 30,000 permanent jobs through investment of £2.4bn, with 80 per cent of it from the private sector.

At the planning stage when the corporation was set up 10 years ago, consul-tants at KPMG were asked to research the value of the barrage option over a similar development without the dam and water feature.

They concluded it would bring in nearly twice as much in private sector investment, would create an extra 7,700 person years in construction, taking the an extra 10.500 permanent

Several companies have already cited the lake as the clinching factor in their decision to invest in the bay, according to Cardiff centre, the £30m Atlantic Bay Development Corporation. "As well as creating a

huge urban lake for recreation, it is the means of regenerating the Welsh capital's waterfront and has an economic spin-off for the whole of south-east Wales," says Harry Ramsden has Michael Boyce, chief execu-





tile revival: the bay has a mix of historical and new, from the NCM-in rwegian church and futuristic visitor centre, above. Below, an artist's impression of the berrage



MULTIMEDIA by Susanna Voyle

Coal Exchange heralds new

total to 16,500, and support Part of Cardiff Bay's Victorian heritage is being recycled to accommodate a multimedia incubator, and similar

powerful. The Coal Exchange, a long-disused building in the heart of Cardiff Bay, is due to be converted into a media centre.

While the Docks area which supported the old industrial order in south Wales is being turned into a leisure area, a new sector of the business community is getting increasing attention.

Multimedia, the catch-all term that covers any uses of media from film and television production to Web-site

The symbolism is all too design and internet busi- of £350m. nesses, is seen as an important area in Wales – and one which, with the promise of advanced communications. could hold out the promise of regeneration in the hardhit rural areas as well as the larger conurbations.

According to estimates from the Welsh Development Agency, the regional investment organisation, the multimedia industry employs 3,000 people, or their full-time equivalents, and has an annual turnover

Of that £350m, the WDA estimates that two-thirds is

generated in the south Wales industrial belt and the remaining third in west, mid and north Wales, the predominantly rural economies. The main area of activity is Cardiff. the capital city

which is home to the main broadcasters - BBC Wales, HTV, the independent television company, and S4C, the Welsh language Channel 4. The redevelopment of the

Assembly building - has been one magnet. Currently under construction is Celtic Gateway, a £45m multimedia business park being devel- main cluster of businesses is oped by Ashquay Group, the in the relatively rural Gaerproperty company, and

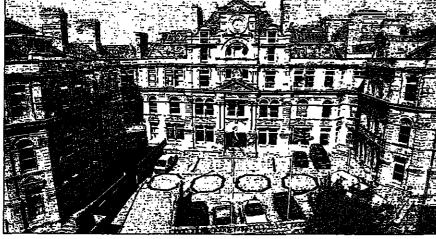
Christiani & Neilsen, the

building group. park, being built on the site of an old municipal rubbish tip, will be the first in the UK to have an on-site international satellite earth sta-Cardiff Bay area - which tion - providing direct video-

will house the new Welsh linking facilities and allowing the development of intra

But non-urban areas are benefiting as well. Another narfon area in north Wales. And in west Wales, a region hit hard by the retreat of oil companies and the depressed outlook for the farming community, an information technology park is being established at Pembroke Dock.

One of the main challenges for the industry is



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> FINANCIAL TIMES No FT, no comment.



PROFILE ST DAVID'S HOTEL & SPA

Say it with tulips and jellybeans

Some symbols of good service and self-indulgence are priceless, savs Juliette Jowit

It was tempting to write that it's worth staying at Wales's first AA/RAC five star hotel just for the sensational power shower. But on eflection you could fit your own for the cost of the £500

There are, however, plenty of other reasons to visit St David's Hotel and Spa in Cardiff, and much cheaper rooms available too.

Driving off the M4 and neading for Cardiff Bay, there are no road signs yet for the latest addition to the capital's skyline, but once in the vicinity the stunning concrete and glass structure towers conveniently above

its surroundings. There is something incongruous about finding the glittering bulk through half-lit backstreets and old dockside brick buildings that were once home to

Across the harbour is a hotchpotch of futuristic office blocks and restaurants, a steel tube housing an exhibition, the Victorian port authority headquarters, a Norwegiar church and other oddities that sit amid the £2.4bn waterside regeneration

prostitutes and crime

scheme - Europe's largest. Outside the hotel the scene is just as unlikely: at the other side of the car park drunken rugby fans lurch out of the Sports Cafe while in front of the hotel gentlemanly porters in top hats and talks usher guests through the great glass

doors with a flourish. Inside, a gigantic 35m high white atrium swallows up space and people – a wire bench is the only decor. A totally unscientific straw poll suggests visitors love it or hate it.

St David's is the first purpose-built hotel in the by Sir Rocco Forte, formerly of Forte group fame. The others are the Balmoral in Edinburgh and a smattering in Europe: in Florence, Rome and St Petersburg. The 136 bedrooms, the

conference rooms, business entre and spa aim to capture a booming hotel trade in Cardiff that is set to continue growing, partly on the back of the Rugby World Cup later this year and the opening of the new Weish National Assembly building that is under construction across the bay.

Designed by Patrick Davies of Hanscomb Davies fame, it has been fitted out with the help of Sir Rocco's sister Olga Polizzi, who has turned the bedrooms into beige shrines to Habitat. Downstairs the Tides Bar

and Restaurant - headed by chef Martin Green, formerly at The Connaught in London



is hard to find fault with much else. Every possible need is catered for, in the rooms are the usual tulios and chrome



new RF Hotels chain owned | Shrines to beige: room designs are neutral but kecurio

The hotel only opened in lanuary and already they are popular souvenirs, admits Keith Gough, customer relations manager.

champagne in the mini-bar, secretarial or interpreter services available, and mousines or a ready-made jogging route available if you want to go out.

Guests can eat fillet of brill with a crab crust, cappuccino of swee and langoustine with gibbons and chives, panfried duck foie gras with savoury welshcake and caramelised endive, or venison with port and blackcurrant in the restaurant or their rooms, 24

hours a day.

All the staff recommend the food - perhaps "they would say that", but even the taxi driver has heard it is

To work it off, guests and invited members can indulge themselves in the spa, which includes the UK's first salt-water hydrotherapy pool and treatments such as mud-wraps, massage and je therapy, all with organic

Surrounding all this luxury

ceiling glass windows with the bay and the city. But the real stars of this

Milk is delivered by an observant lady who notices the tea cups have run out and offers to bring more. Mineral water arrives, as ordered, with ice and lemon in separate dishes. Lunch is served in the room on the dot of 2.40pm, as requested.

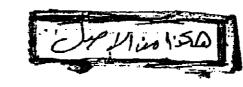
hotel are the staff.

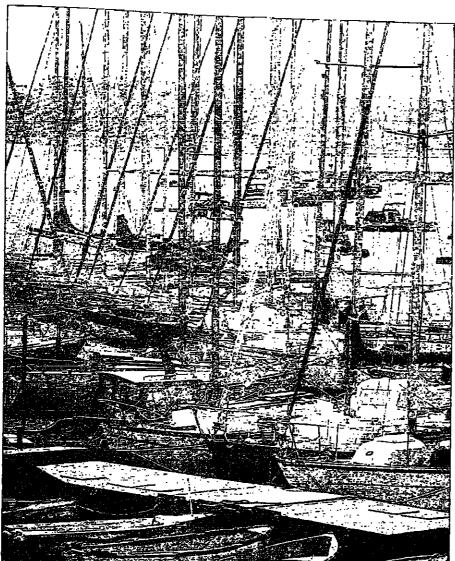
Receptionists go out of their way to find what you need. The porters chat and joke with guests, while still naking them feel almost like VIPs. And the barman searches out exactly the

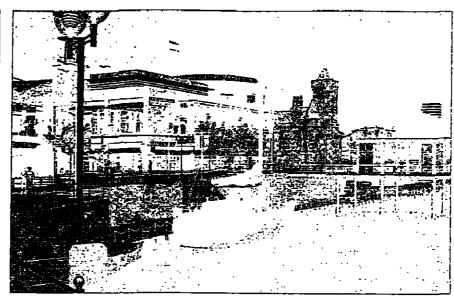
right bottle of wine at 2am. So, if for nothing else, it is perhaps worth a visit to rediscover the lost art of superb service - which is comething you can't put a

price on.

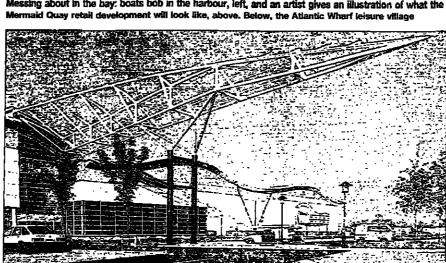
'Juliette Jowit was a guest of the St David's Hotel and Spa. Rooms start from £110 single and £120 double for bed and breakfast until the end of April. Weekend leisure breaks, spa packages and conference deals are available. For information and bookings, telephone 01222 454045.







Messing about in the bay: boats bob in the harbour, left, and an artist gives an illustration of what the



definition for remote Welsh areas

ventures are springing up across the principality, as entrepreneurs spot the potential of distance communications technology

above Offa's Dyke and see the opportunities outside Wales. It is estimated that almost 60 per cent of multicapitalising on demand for Welsh language or bilingual

from outside Wales. He is says. "There is a chance for start-ups. confident it can be done - the industry to think Euro-

whether it can raise its eyes being a weakness, could be a and that could be a tremenstrength.

The WDA wants the industry to focus more on business with EU partners. It has media turnover is trade already developed a series of within Wales - much of it links with Ireland and says in Wales. It is the WDA that continental Europe is the next stop.

of the WDA's media technol- will be tremendous opportu-

dous advantage - they are people used to working in more than one language.

The other problem is retaining the brightest talent is behind the plans for the Coal Exchange. It hopes the "Over the coming 12 building can be converted Patrick Sullivan, director months to four years there into business "incubators" with the support mechanism ogy group, says the industry nities as digital terrestrial of lawyers and accountants needs to focus on growth television beds down," he on tap for new business

Mr Sullivan hopes it will

rural opportunities for small husinesses? If one striking example can be repeated, the potential is tremendous.

Phil Rowe set up his business in Pembroke, almost as far west as you can travel in Wales, in April last year. He worked in the leisure industry and his business partner was a graphic designer. Together they thought

they spotted a good business opportunity - the developand says the dependence on pean. The majority of the attract new graduates and ment of digital video disc is not a disadvantage," he the Welsh language, far from industry works bilingually foster their talent in Wales (DVD) technology, the new says. "The majority of our

So what of the promise of standing start they have established themselves as one of the main DVD distributors, supplying high street electronics chain Dixons and helping Virgin Atlantic Air-

> the format. Mr Rowe says he expects turnover of £500,000 this year. And the business is currently doubling month on month - all from a small

lines with their research on

market town. "Working down here just

along entrepreneurial lines. home cinema format. From a business is electronic

The downside, he suspects is that they had to work much harder to start with to get their name across - and they travel to London three or four times a month to meet suppliers flying in from the US.

"We have to be very, very pro-active. People don't knock on your door, although now we are getting better known that is starting to change. We work very hard - then we go to the beach.



PROFILE HARRY RAMSDEN'S

A plaice by the sea

There are plans to use success in Cardiff Bay as a platform for expansion in Wales

Harry Ramsden has done for British fish and chips what McDonald's has done for American fast food. The group, begun in Guiseley, West Yorkshire, in 1928, now boasts a string of outlets worldwide, from Hong Kong to Dubai to Dublin.

It is the Melbourne restaurant, in Australia, that now holds the world record for the number of portions of fish and chips sold in one day (12,105).

But Cardiff Bay's Harry Ramsden's, opened three years ago, is nevertheless vaunted as the most popular of the chain's British outlets. The restaurant has room

for 300 covers and serves up to 10,000 meals a week to a combination of sit-down and take-away customers.

Despite a recent lull in trading - "at the moment, we're an island in the middle of a building site," says rector George Osztreiche - Harry Ramden's, Cardiff

Bay, has high hopes for the future. Once construction work in the locality is completed. Mr Osztreicher is confident business should boom again, "We're already getting custom from the new cinema and bowling complex," he says.

But he is concerned, too, that Cardiff Bay may not realise its full potential as quickly as it should. When the Cardiff Bay Development Corporation is wound up next year, there will be no obvious body to inherit its role. And abortive plans to link the bay eastwards to the M4 motorway show no signs of being rekindled. Without that kind of basic infrastructure, says Mr Osztreicher, getting the expected volume of people in and out of the area will become a logistical

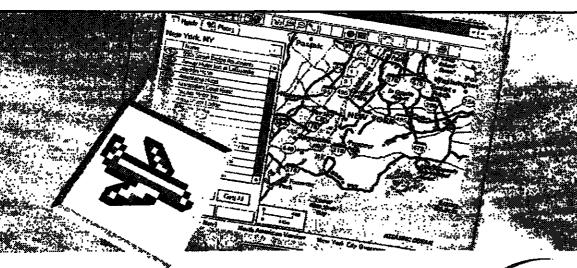
Given its location amid this kind of modern leisure complex, there is a temptation to assume Harry Ramsden's would have tried to alter its traditional Yorkshire image, either to appeal to a young clientele. or to milk its Welsh tourist trail location. But Mr Osztreicher is adamant "We're not a themed kind of place. We're a good silver service fish and chip

There is little concession, either, to those hoping for a Welsh flavour on the menu. The Harry Ramsden chain generally allows for three variations from the core menu to accommodate local tastes, but the Cardiff outlet has yet to dish up laver bread alongside its prime haddock fillet.

In other ways, though, the restaurant does make an effort to fit in. It has a Welsh language menu. It hosts regular opera nights, with a cast drawn from the Welsh National Opera. And it pulls in the older customers with "singalong evenings".

Encouraged by its profitable start-up in Cardiff. the franchise that operates the restaurant under the Harry Ramsden name, which cut its teeth running Wimpy and Burger King outlets, is about to open another site in Swansea. It will then embark on a new Harry Ramsden formula adjacent to Aberavon beach, in Port Talbot, with the kind of "quick service restaurant" that has been tried out in Lisburn, Northern Ireland, A further 20 such outlets are planned, at locations which are currently secret, throughout south

Patrick Jenkins



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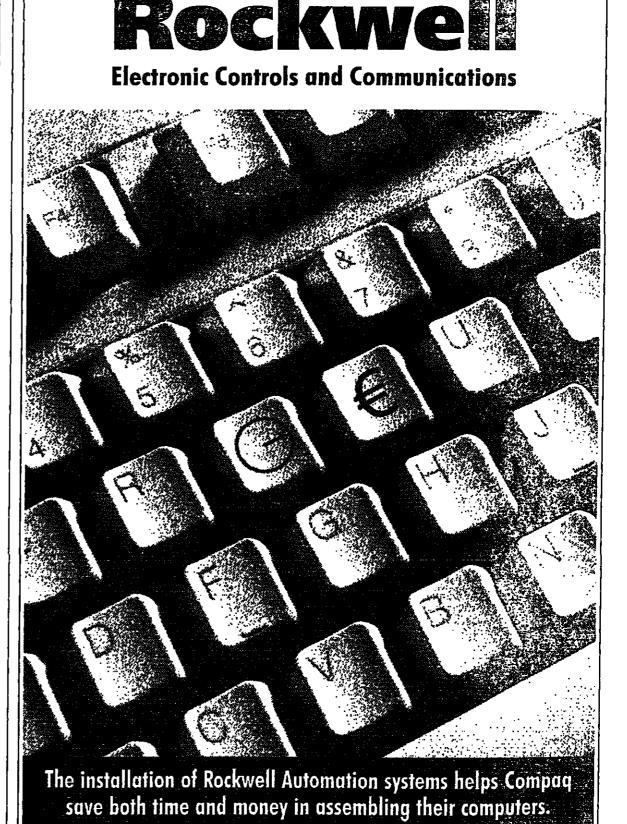
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PEMBROKESHIRE



Buckets and spadefuls of action

resorts such as Tenby and

which as a result of recent

defence closures and cuts in

the oil industry is becoming

There is a conscious shift

"The activity-driven market

to branch out into the short

oreak and activity market.

is expanding six per cent

of tourism," says Philip

based Activity Wales.

driven by the weather,

Evans of Pembrokeshire-

faster than any other sector

"On holidays that are not

people want something to

for two weeks or a short

As a result, he says

weekend break."

of green tourism.

Tourists see

do, no matter if they're here

Pembrokeshire and Wales as

a whole should play to its

strengths and develop itself

as an activity playground not

just for UK markets but also

for the increasing numbers

Pembrokeshire as a green

destination because of the

national park, It's a huge

marketing tool," says Mr

of overseas visitors in search

increasingly dependent on

tourism to survive.

of dying out, but it is not

Saundersfoot shows no sign

As millions of sun-seekers gear up for their annual pilgrimage overseas, a traditional British holiday destination is fighting to win back at least some of them.

Aware that its glorious beaches and stunning scenery are not enough in themselves to compete with the cheap foreign packages Pembrokeshire in West Wales is looking increasingly towards the activity sector to woo visitors.

Perched on the very edge of south-west Wales, and with the added advantage of a mild climate, the county has everything the outdoors type could want.

Surrounded on three sides by water and bisected by the 200 square miles of the Milford Haven tidal waterway, it can offer a variety of watersports from sailing to surfing.

Its central region around the Preseli mountains and its spectacular coastline appeal to hill walkers, climbers and horse riders - the highlight is the splendour of the county's 186-mile coastal path, part of the UK's only

coastal National Park. The traditional bucket and spade holiday based around

The move towards green pursuits in the county, from bird-watching to canoeing, has been increasing of late, with a mushrooming of activity providers in the last

decade. While there was much tourism doom and gloom last vear. Watersports operators reported booming

in sharp contrast to the rest of the industry, which fell victim to the strong pound and poor weather. Peter Bounds of Dale-based West Wales

Their sunshine story was

Windsurfing, which runs dinghy sailing and surfing courses, says the Welsh Tourist Board came in for a lot of criticism last year for targeting a certain class of tourism. But he defends the strategy.

"They're professional people with a bit of money who want a break and something totally different from their day-to-day lives, he savs. "And when vou're wearing a wet suit, you can enjoy the water, whatever Pembrokeshire county

council now runs its own sailing centres at Fishguard and Pembroke and is due to open a large new facility this ear. Together with the other leading watersports promoters, it launched a joint marketing campaign at this year's Boat Show, called Pembrokeshire Afloat,

to highlight the county's marine attractions. The new operators have the support of authorities such as Pembrokeshire County Council,

National Park and the Milford Haven Port Authority, which recently published a leisure guide for the vaterway explaining the zoning system for visitors the port has incorporated a ively marina into the working industrial harbour, but is wary to keep ple craft well clear of the supertankers on their way to

The local authority and national park have also come up with a voluntary code of conduct for jet skiers to lessen their impact on a sensitive environment. Andy Middleton of the TYF

the oil refineries.

No Limits Adventure Centre in St David's, which offers courses in rock-climbing, surfing, kayaking and coasteering (a unique form of orienteering along the coastline), says there is huge scope for more activity holidays in the county. Last year the company

opened up a satellite centre

"Pembrokeshire could be developed as another New Zealand for sports holidays, he says.

Ceri Jones Cerl Jones Writes on west Wales for the Western Mail

COOL CYMRU by Andrew Davis

National pride spills from politics into arts

The devolution process has progressed in parallel with a growing recognition of the vibrancy of the Welsh entertainment scene - from opera to the trendiest pop music

thank the Lord I'm Welsh." A few years ago Cerys Matthews, singer with Catatonia, would have been showered with cynical jibes from the London music press for expecting to succeed with lyrics like

That was then. Now Catatonia is unashamedly Welsh and undeniably big - their last album went to number one and only a fool would bet against the next one

doing the same. Welsh bands are in the middle of an unprecedented purple patch and the most commercially successful of them - Manic Street Preachers, Catatonia, Stereophonics and Super Furry Animals have cracked the biggest secret in pop music: how to sell a lot of records and retain your credibility with the fans and the

The Welsh pop bandwagon really started rolling a couple of years ago - around the same time that a New Labour government with a zeal to reinvent everything was turning its attention to devolution for Wales and Scotland. For the government at least, music and politics quickly became partners in a marriage of political convenience.

So when in early 1997 Manic Street Preachers until then a band that made little mention of their roots won the Brit Award for

best album (*Everything Must* Go) and performed at the awards ceremony with their speaker cabinets draped in Welsh flags, the image-makers' moment had come. London music journalists were starting to rave about the new Welsh scene, and the inevitable result was "Cool Cymru".

Not surprisingly this irredeemably naff offshoot of Cool Britannia was disowned by ministers and their spokesmen almost as soon as it was coined. Politicians have long tried to harness pop music to their cause and have almost always man aged to emerge looking like buffoons. For a while it looked like happening again, as political diarists talked about New Labour plans to rebrand Wales and replace the dragon with something

more modern. But in spite of the encouragement of with-it ministers such as Peter Hain at the Welsh Office, and former Welsh secretary Ron Davies, the Wales Millennium Centhe bands and their "vibrant youth culture" have gone from strength to strength. And, inspired by their example, the political project of forging a young, for- In early January, the proj- press officer of the Wales Welsh band ward-looking and above all ect, under Sir Alan Cox, its Tourist Board, this was a recognition. forging a young, for-

chairman, scored a coup.

sinking rats"

tion vote.

the trendy confines of pop After the debacle of seeing

Opera House thrown out in

lennium Commission, the

project of providing a new

home for the Welsh National

Opera looked in trouble. But

an alternative plan is well

under way in the shape of

tre, which has started to win

grudging praise from the

architecture writers who

lauded the controversial

Hadid plans.

self-confident image for

This February, two years

after their first triumph at

Street Preachers won a sec-

ond best album award for a

record that uses an Aneurin

Bevan quotation as its title:

This Is My Truth, Tell Me

Yours. The intervening

period has seen Wales's

growing self-confidence

expressing itself well beyond

Wales remains on track.

Not only was it going to be home to eight or so companies including the WNO. the Brit awards. Manic which has attracted outstanding critical acclaim in recent years and boasts international stars such as Bryn Terfel, but it would have a nationally recognised arts administrator as its boss. Kathryn McDowell, who had spent five years as director of music for the Arts Council of England and had won considerable praise, announced she was quitting

architect Zaha Hadid's futur- London to become chief

the corner," he says. It is impossible to be precise about the role of music in helping that political change come about but it should not be underestimated. Within Wales, young

people are speaking Welsh in growing numbers - in 1971 17 per cent of 10-14-year-olds spoke Welsh. 20 years later more than a quarter did. And the fact that nationally The Welsh National Opera boasts acclaimed bands like Super Furry Animals and Gorky's international stars such as Bryn Terfel Zygotic Mynci routinely encourage this trend.

istic plans for the Cardiff executive of the Wales Mil-But further affield, music is iennium Centre. Norman playing a huge role as well late 1995 by a combination of Lebrecht in the Daily Telelocal opposition and disap- graph called it "a rare case now being thrust in front of proval from within the Mil- of the ship deserting the young people in Britain no longer consists solely of If events such as the Wales leeks and coal mines. Millennium Centre plans Instead pop stars like Cerys and Manic Street Preachers' Matthews and Nicky Wire of the Manics dominate. triumphs at the Brits are the

defining moment. "If that

vote had gone the other way

it would have been the end

of any substantive Welsh

identity. We have still got a

lot of nation-building to do.

but I think we have turned

most obvious symbols of And their influence Wales's cultural health, their spreads outside Britain. political equivalent came Peter Hain recounts that on with the Yes camp's narrow holiday in Spain last year he victory in last year's devoluwas asked by some local For Robin Gwyn, chief His reply elicited a string of press officer of the Wales Welsh band names by way of



Tanked up: Super Furry Animals are among bands aboard the Welsh pop ba

THE WALNUT TREE Celtic casserole with Italian seasoning

dilemma, but Franco's

specialities are varied.

vincisgrassi, an 18th century

pasta bake with ham and

porcini in a rich creamy

sauce, a sort of lasagne

Invented before tornatoes

Another is Lady Llanover's

Salt Duck - which is what it

says - originally devised by

The lentils were

distract without

overpowering

the 19th century Lady

Llanover - wife of Baron Llanover who built Big Ben

in London. She was most

in the nearby village of the

famous for closing the pubs

We eventually settled for

nelpfully described as a fish

The mullet was deliciously

oaky and surrendered in my

mouth, and the lentils were

red muliet with lentils and

pesto, and a brodetto -

enough to

the fish

ame name.

just sweetly spicy

One favourite is

Juliette Jowit is captivated by a small restaurant with a big reputation for fabulous fish dishes, just-right desserts and owners who star on TV and write recipe books

The woman giving directions over the phone sounded slightly surly, but the Walnut Tree was not unfriendly, just unpretentious. Amazingly so, given its reputation - it draws regulars from as far afield as London and the US to the restaurant in a tiny village on the English-Welsh

Franco Taruschino, who owns the restaurant and bistro with his wife Ann, describes the cooking at tallan with a little bit of Welshness". All the ingredients are local, except the olive oil and parmesan,

of course.

not quite as tempting as the rest of the menu, but what For starters I chose the most perfectly cooked and tasty asparagus with purple sprouting - which looked closely related to broccoil and (slightly bland) beetroot, drizzled with a plate-lickingly good oil dressing.

The choice of starters was

My friend had marinated red mullet with new potatoes, for which the word 'wonderful" apparently sufficed.

The main course menu was far harder to select from. When we visited it was a fabulous array of fish dishes that caused the

just sweetly spicy enough to distract, without overpowering the fish.

The brodetto arrived as a steaming mass of hake, skate, cod, and langoustines in a thick tomato broth with chunks of baguette croutons. The shellfish had the slightly gritty texture of a farm, and the sauce was almost too tomatoey, but the fish were again timed to the minute and the combination

worked fabulously. Ann and Franco met in the 1960s in Rugby, where he worked as a waiter because it paid 50p a week more than a chef, and she was a teacher.

They bought the pub in 1969 as a way of being able to spend more time together, since when they have built a national reputation, which has given them a series on BBC Wales, and published several books - another comes out in the autumn

dedicated to pasta bakes. A previous book is devoted to their homemade icecream, so I put the honey and brandy flavour to the test. The result was a sumptuous bowl of what tasted like almost pure honey - far too sweet to finish but worth every

My friend chose creme brulée, an equally rich and

creamy indulgence topped with a water-thin burnt crust The whole meal - which started with a welcoming appetiser of baby fishcakes and ended with the hot rich quality of coffee you expect but don't normally get from Italian restaurants - came to £79, including a half-bottle of 1995 Bourgogne Aligate

de Bouzeron. The friendliness of the staff was worth far more than 10 per cent.

Afterwards Franco - who runs a kitchen of seven chefs including a Danish architect and a dentist from Bristol - showed me his plaque for winning the Egon Ronay restaurant of the year in 1987.

There is no other formal recognition of this gem of a restaurant, but he shrugs that off with the sort of relaxed down-to-earth attitude that pervades the whole atmosphere. The Walnut Tree, Llandewi Skirrid, Abergavenny, Gwent, is open Tuesday to Saturday, from 12-3pm in the bistro, and from 7-10pm in the bistro and dinning room. Starters are from £4,95 and maincourses from £7.50. Credit cards not accepted, Telephone 01873 852797.

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